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DRAFT PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE 2001-2010*

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INTRODUCTION

Elements for stocktaking/assessment/background/review of progress

(i) Despite the previous two Programmes of Action, the number of countries classified as LDCs has continued to grow. Currently there are 48 countries in this group, as against 25 in the 1980s, and only one, Botswana, was able to graduate out of the group. There is the prospect of one more country being added to the group before the Third Conference on LDCs in May 2001. Furthermore, a comprehensive evaluation of the precarious socio-economic conditions in the LDCs confirms that the implementation of the previous programmes of action is a complete failure. The international community has been far less supportive of LDCs in many areas foreseen in the programmes of action. Unsustainable external debt, paucity of development finances, low levels of technological, institutional and human capacities, lack of export diversification and market access, and vulnerability to natural and man-made disasters are among the factors severely affecting the growth and development prospects of the LDCs. (G77)

(ii) LDCs on their part have implemented, often with mixed results, economic reform programmes set out in the previous programmes of action with a view to ensuring macro-economic stability, improving fiscal prudence and attaining overall economic efficiency. They substantially reduced or eliminated tariffs and other trade barriers, liberalized their currency regimes, privatized public enterprises, created institutional and regulatory frameworks and put in place liberal investment policies. The results of these broad policy reforms programmes are below expectations and are undermined by lack of international support measures. (G77)

(iii) Owing to declining official development assistance, a heavy debt burden and collapsing commodity prices, etc., the economic development of LDCs did not turn for the better and the implementation of the Programme of Action for the 1990s was far from satisfactory, with many goals and targets unrealized. It is recognized that only by absorbing the previous experiences and lessons can a new, realistic and action-oriented programme be produced and problems facing the LDCs be solved pointedly. (G77)

Alternative new introductory section (USA)

The implementation of the previous two programmes of actions has been unsatisfactory. There remain 48 countries in the group of LDCs, with only one country able to graduate within the past two decades. A recent report by a high-level panel has reviewed in detail many of the reasons for the failure of previous plans. We presently seek to greatly improve upon the performance of those plans. (US - document A/CONF.191/IPC/16)

Alternative new introductory section (EU)

(a) Ten years after the adoption of the Paris Programme of Action, the targets set therein have not been achieved and LDCs have not been able to take full advantage of the ongoing process of globalisation, which in some cases has also led to a further marginalisation. The task of the Third UN Conference on LDCs is to agree on actions necessary to reverse this trend and to promote the sustainable development of LDCs and their progressive integration into the world economy, taking into account the specific set of vulnerabilities and difficulties encountered by these countries. Coming after a decade of UN Conferences addressing development issues, which have set clear development targets, this Conference provides an opportunity to look at the problems and interests of the weakest goup of countries in the context of the new development approach, and thereby help to promote balanced and integrated policies conducive to the eradication of poverty and to sustainable development. The time is now ripe to build on the outcomes of the recent UN Conferences and to assess their specific application to address the particular problems of LDCs. (EU)

(b) LDCs represent the poorest and weakest segment of the international community. Beyond the formal criteria established by the UN to define the LDCs, this group of countries is characterised by the fact that they cumulate a series of vulnerabilities, such as a limited productive capacity, an acute vulnerability to external economic shocks, natural disasters and communicable diseases, a limited access to education, health services and natural resources, poor infrastructure, lack of access to information and communication technologies. To be effective, sustainable development strategies concerning LDCs should seek to address those vulnerabilities, taking into account the special needs and problems of each country. (EU)

I. OBJECTIVES

1. This Programme of Action aims to significantly improve the human conditions of more than 600 million people in 49 least developed countries (LDCs) during the present decade. Against the backdrop of lack of progress in socio-economic development in the LDCs and in the implementation of the Programme of Action for the 1990s, it provides a framework for a strong global partnership to accelerate sustained economic growth and sustainable development in LDCs, to end marginalization by eradicating poverty, inequality and deprivation in these countries, and to enable them to [beneficially integrate] [be beneficially integrated] into the global economy.

2. This Programme of Action is based on the international development targets, actions by LDCs and commensurate support measures by their development partners, and on the values, principles and objectives of the Millennium Declaration. These political, economic and social objectives and, as appropriate, other UN targets are incorporated into the commitments of the Programme of Action.

3. [The overarching goal of the Programme of Action is to make substantial progress toward halving the proportion of people living in extreme poverty and suffering from hunger by 2015 and promote the sustainable development of the LDCs. This will require, among other things, significant and steady increases in [GDP] growth rates in LDCs [to be achieved with the support of their partners and the involvement of civil society]. To that end, LDCs, with the support of their partners, and with the involvement of civil society, including the private sector, will strive to attain annual growth rates of 5-6 per cent by 2006 and 6-8 per cent by the end of the decade. [To that end, LDCs, with the support of their development partners, will strive to attain a GDP growth rate of at least 7 per cent per annum and increase the ratio of investment to GDP to 25 per cent per annum.]

4. [National policies of LDCs and external support measures by their partners during the decade will revolve around the following priorities:

(a) A significant reduction in extreme poverty;

(b) Developing human **and institutional (US & Switzerland)** resources [to support long-term development] **[to support long-term sustainable development (US)] [particularly to support governance for long-term sustainable development (Switzerland)]**;

(c) Removing supply-side constraints **and enhancing productive capacity (Norway) and promoting the expansion of domestic markets (Mexico)** to accelerate growth, **income (Switzerland)** and employment generation;

(d) ~~Increasing LDCs' share~~ **Accelerating LDCs' growth (Japan)** in world trade and global financial and investment flows.

(e) **Protecting the environment (Canada)**

(f) **Environmental protection accepting that LDCs and industrialized countries have differentiated co-responsibility (Switzerland)]**

Alt4. [National policies of LDCs and external support measures by their partners during the decade will focus, *inter alia*, on the following priorities:

(a) Reducing poverty by one half;

(b) Increasing LDCs' share in world trade, foreign direct investment and financial flows;

(c) Building physical and technological infrastructure;

(d) Improving institutional capacities and developing human resources;

(e) Enhancing industrial output and diversification;

(f) Removing supply-side constraints and improving productive capacities to accelerate growth and employment generation, increasing household incomes and improving national savings rate;

(g) Attaining full security and self-sufficiency in food.]

5. [The Programme of Action recognizes the following as cross-cutting priority issues: poverty eradication, gender and development, employment and special problems of landlocked and small island LDCs.]

Alt5. [The Programme of Action recognizes the following as cross-cutting issues: poverty eradication, **sustainable development (Canada)** ~~**gender equality** and development~~, **(Canada)** ~~**environment (Norway),**~~ employment, involvement of key stakeholders, including civil society and business, in the development process ~~**particularly regarding issues of governance, (Switzerland)**~~ and special problems of those LDCs that are also land-locked and small island States.]

Alt5. [Crosscutting issues, addressed in the Millennium Declaration, are:

- Good governance, respect for human rights, peace, social stability and institutional capacity-building
- Gender equality and the empowerment of women
- Environmental protection]

6. [Poverty eradication requires a broad approach, taking into account not only the sheer economic aspects of the problem, but also the social, human and environmental dimension. This implies an increased focus on issues like good governance (at national and international level) and the fight against corruption, the full respect of human rights, gender issues, capacity and institutional building, social services supply and the environmental concerns. These priorities are embodied by the objective of sustainable development as endorsed at the Rio Earth Summit and defined in the Copenhagen Declaration. Economic development,

social development and environmental protection are interdependent and mutually reinforcing components of sustainable development, which is the framework for any effort to achieve a higher quality of life for all people. The majority of the poor live in rural areas. Increasing the sustainable productive capacity of agriculture and fisheries and the income of people working in these sectors in LDCs is therefore a key priority. Poverty eradication strategies must be fully owned by LDCs. Development strategies should be pursued on the basis of that three pillars approach, which endeavours to secure ~~stable~~ economic growth whilst ~~preserving~~ protecting the environment, ~~to maintain bio-diversity~~ and promoting social ~~equity~~ development. Increased efforts in favour of policy coherence and the integration of environmental and social aspects into other policies must therefore be undertaken within the principles agreed at the major UN Conferences.]

7. [The creation or enhancing of a legal framework of transparent, democratic, non-discriminatory and accountable institutions includes the adoption of measures to promote and protect human rights, fundamental freedoms and gender equality, to support an active and organised civil society, to consolidate the rule of law and to build the capacity of the state to fulfil its functions.(EU)]

8. [An active, comprehensive and integrated policy of peace-building and conflict prevention is a major element of a sustainable development strategy. It shall in particular focus on preventing the root-causes of conflicts in a targeted manner and with an adequate combination of available instruments. (EU)]

9. [Gender mainstreaming is an essential strategic component for poverty reduction , gender equity and empowerment of women in LDCs. All efforts must be made to ensure that the above can be attained through effective partnership, among different actors in the global community. There are important linkages between development, poverty reduction and gender equality. While the status of women in LDCs has advanced in some important respects in the past decade, progress has been uneven, inequalities between women and men have persisted and women remain the vast majority of the poor. Major obstacles remain to fundamental mainstreaming of gender issues throughout all stages of national development policies, strategies, programmes and resource allocation. Effective representation and participation of women in all spheres of decision-making, including the political process at all levels, can improve accountability, transparency and consequently lead to good governance. It is essential to promote gender mainstreaming as a strategy to reduce poverty, alongside other strategies such as those focusing on empowerment and vulnerability reduction.]

10. The implementation of this Programme of Action shall be guided by the principles and purposes of the United Nations Charter. The Programme of Action seeks, with particular reference to national programmes of action, concrete ways and means to effectively arrest and reverse the continued socio-economic marginalization of LDCs, improve their share in international trade, foreign direct investment and other financial flows and create an enabling environment for them to be able to benefit from globalization and minimize adverse consequences thereof. It is an ethical imperative for the international community [to work with LDCs] to arrest and reverse their marginalization and to promote their expeditious integration into the world economy, and fight social exclusion. It shall also restore confidence

and enhance the new form of partnership and cooperation between the LDCs and their development partners. The success of this programme of action will be judged, in the end, by its contribution to the overall socio-economic progress of LDCs especially towards achieving international development targets.

11. Another important objective of the Programme of Action should be to contribute to the renovation and invigoration of partnership between the LDCs and their development partners by promoting mutual and shared responsibility, as well as greater [equal] opportunity and integration of the LDCs into the global economy. The Programme of Action, among other things, should create conditions necessary for the implementation of policies and strategies based on the new development paradigm where economic growth and development are prerequisites for the eradication of poverty. It should also contribute to the growth and expansion of the private sector, entrepreneurship and innovation by facilitating access to technology, private capital flows and other related resources.

12. [The outcome should be a set of concrete proposals for action linked to a set of clear performance indicators (such as UN/IMF/DAC/World Bank indicators), on which the international community and LDCs agree to concentrate their efforts during the next years. The Conference should be regarded as a Conference of "common solutions" requiring action by all partners.]

II. A FRAMEWORK FOR PARTNERSHIP

13. This partnership is based on mutual commitments by LDCs and their development partners to undertake concrete actions in a number of interlinked areas set out in the Programme of Action. It is entered into in accordance with the Charter of the United Nations and with full respect for national sovereignty. This partnership will be nurtured and strengthened by mutual collaboration of partners through relevant international forums and processes. While LDCs should assume ownership of designing and formulating appropriate national policies of their own will and choice to create conditions conducive to development and continue to have the primary responsibility for effective implementation of those policies and measures, the full implementation of the Programme of Action is the shared responsibility of these countries and their development partners. The strengthened partnership for development necessitates adequate external support from the LDCs' development partners.

14. Each LDC will translate national policies and measures in the Programme of Action into concrete measures within the framework of its national programme of action, taking into account its particular circumstances and priorities. LDCs should accomplish this with the full involvement of domestic stakeholders and the collaboration of its public and private development partners to implement the agreed commitments. In this respect, it is important to take fully into account the specific geographical constraints and vulnerabilities of each LDC, including small island and landlocked LDCs.

15. [~~The development partners, including bilateral partners~~ [Prominent development partners of LDCs are bilateral developed countries and multilateral organizations. Neighbouring countries can sometimes also strengthen LDC efforts through regional and subregional cooperation in different areas and different ways]. [The development partners, in the context of this Programme of Action including all non-LDC bilateral partners, taking into account their varying capacities,] [The developed bilateral partners,] as well as organizations of the UN system and other relevant multilateral organizations, taking into account their different mandates, will assist in this endeavour by ~~facilitating~~ [creating, particularly through ODA flows, debt [relief where appropriate] [cancellation], market access and facilitation of foreign direct investment [and public private partnerships], ~~an enabling external environment and providing adequate external support in~~ a spirit of genuine solidarity and shared responsibility]. An important function of the Programme of Action will be to serve as a common framework for development cooperation for LDCs. [Its recommendations for actions should be integrated into national programmes of action, [including *inter alia* UNDAF, PRSPs and CDFs.] ~~comprehensive national development plans prepared through the poverty reduction strategy papers (PRSPs) and comprehensive development frameworks (CDFs) processes.~~]]

16. [There is a need to create an alliance of agendas relating to national development in each LDC. The many agendas and processes for LDCs already in place in different organizations (*inter alia* the United Nations, WTO, Bretton Woods institutions) could benefit from crossovers and interactions, if points of mutual interest can be identified and reinforced.

This could be achieved through regular and systematic exchanges of information between stakeholders and actors with different mandates and tasks.]

17. South-South cooperation, as well as subregional and regional cooperation, has an important role for LDCs' development in areas such as human and productive capacity-building, technical assistance and exchange of best practices, particularly in issues relating to health, education, professional training, environment, science and technology, trade, investment and transit transport cooperation. Such cooperation should be supported by the international community. South-South cooperation should not be viewed as a substitute for but rather as a complement to North-South cooperation. [Triangular approaches to facilitate South-South programmes and projects are useful in this regard] [and in this connection emphasizes the need to effectively promote triangular approaches to facilitate South-South programmes and projects.]**[The GSTP should be further deepened and strengthened, particularly in favour of LDCs, taking into consideration their level of development.]**

18. [A new spirit of international cooperation must prevail, based on the principle of getting common benefits, but also on the common, but differentiated responsibilities of developing and developed countries. Developing countries will promote initiatives in favour of LDCs in the context of South-South cooperation, among others, making the best use of the possibilities provided by the triangular mechanisms, through which successful South-South cooperation may be attained using financial contributions from one or more donors, and taking advantage of economic complementarities among developing countries.]

19. The Programme of Action recognizes the important role that Governments, as well as civil society and the private sector, have to play in the implementation and follow-up, *inter alia* through stronger public-private partnerships.

20. The LDCs and their partners will be guided by the following considerations in the implementation of the Programme of Action:

(Note: re-order the subparagraphs and main orientations (Norway))

~~(a)~~ (b) *An integrated approach:* The development process should be viewed in a comprehensive, coherent and long-term manner by LDCs and their partners, including the multilateral agencies within and outside the United Nations system. When addressing economic development and poverty eradication, above all there should be a balance between economic and other objectives of development.

[The follow-up of the programme of action should be integrated into all international processes of concern to the LDCs.]

~~(b)~~ (c) *Genuine partnership:* With greater alignment between national policies and strategies in LDCs and the external assistance strategies of their partners, the scope for more effective dialogue between them has expanded. Open and transparent development cooperation, underpinned by strong political will, can help bring about rapid transformations in LDCs.

~~(c)~~ (a) *Country ownership*: All efforts should be made by LDCs and their partners to ensure genuinely country-led development. [This will be aided by the joint identification of development priorities by LDCs and their development partners.] Also, LDCs will need to be effectively involved in areas such as aid coordination and debt relief.

(Note: Delete subparagraph (d) (G77))

(d) *[Market orientation:* A sustained process of economic growth and poverty reduction can be facilitated by giving a greater role to market forces and private initiative through dialogue and partnership. However, this cannot be achieved without adequate attention to market failures as well as government failures, and consideration of the preparedness of the private sector. It is necessary to work towards a good balance between public action and private initiative. To be fully productive, however, a market must operate within a stable legal and economic framework].

(e) *Result orientation:* Only positive concrete processes and outcomes can sustain public confidence in the development partnership between LDCs and their development partners. The process of identifying, assessing and monitoring progress on processes and concrete outcomes will be a key aspect of the implementation of the Programme of Action and its success will be judged by its contribution to progress of LDCs towards achieving international development targets, as well as their graduation from the list of LDCs.

(f) *[Peaceful environment:* A peaceful working and living environment is one of the essential elements in areas of conflict and post-conflict situations for the success of this Programme of Action. Armed conflict makes the best development strategies and endeavours unproductive. LDCs undergoing and emerging from conflicts should take every measure for maintaining and restoring peace and political stability. The development partners, [upon formal request by the concerned LDC], and according to the purposes and principles of the United Nations Charter, should extend all support to its efforts for peace. [In this regard, the international community should only pursue positive activities that can contribute and lead to the cessation of conflicts.]]

Commitment 1: Fostering a people-centred policy framework

21. The objective of the policy framework is to create an overall enabling environment for national and international actions to eradicate poverty and overcome the structural bottlenecks in the LDCs and ultimately to put LDCs on a path of accelerated growth and sustainable development that provides opportunities for all, particularly the poorest, and enables these countries to integrate beneficially into the global economy based on the principle that human beings are at the centre of the concerns for sustainable development.

22. An effective poverty eradication strategy should aim at strengthening physical, social and human capacities, including through equal access to production resources and social, health and education services. Empowering the poor in bringing about this social transformation and articulating their interests and views is crucial. LDCs, with the help of their development partners, must facilitate this process by creating an enabling environment in terms of policy, law-making and institutions while improving the scope and effectiveness of service delivery vis-à-vis the poor. There is a need to empower women and redress gender inequality by mainstreaming the gender perspective in policy, legal and institutional frameworks.

23. [Actions by LDCs and the development partners [including industrialized countries and non-LDC developing countries, as well as organizations of the United Nations system and other multilateral organizations] [the developed bilateral partners, as well as organizations of the United Nations system and other relevant multilateral organizations] will be along the following lines:]

(i) Actions by LDCs

(a) [Maintaining a peaceful and stable living and working environment]

(b) Supporting initiatives that help empower people living in poverty, especially women, and promoting their capacities to enable them to improve their access to and better utilize available opportunities, basic social and other types of services, as well as productive resources;

(c) Building on successful policy reforms and continuing efforts toward sound economic management with a view to attaining levels of economic growth necessary for reaching the objectives of the Programme of Action, including through focusing efforts in the areas of fiscal and financial sector reform and promotion of micro-credit;

(d) Promoting an equitable distribution of the benefits of growth and development in favour of the poor and improving their access to basic social services with a view to increasing their opportunities for participation in economic activity;

(e) Promoting the efficiency of markets within an effective institutional, regulatory, supervisory and legal setting;

(f) Improving linkages between different economic activities, particularly between agriculture and micro and small enterprises, and integrating sectoral reforms within broader development objectives;

(g) Promoting a comprehensive and integrated information base, including through strengthening of national statistical systems;

(ii) Actions by development partners

(a) [Facilitating an external environment ~~conducive to~~ supportive of full and timely realization of the objectives of the Programme of Action; [through *inter alia* full debt cancellation and the increasing role of LDCs in the decision-making process of international financial institutions]]

(b) [Extending ~~substantially increased and~~ substantial and more effective support for LDCs' efforts in areas of empowering people living in poverty and ensuring their access to basic social services ~~to put in place sound policies, programmes and institutions aimed at poverty reduction and sustainable economic growth~~;]

[~~Alt. (b) Increasing substantially support to national policies in LDCs, particularly in areas of empowering people living in poverty, ensuring their access to basic social services and building an integrated information base; (G77)~~]

(c) Assisting LDCs' efforts, through providing financial and other resources, in setting up effective social safety nets to mitigate social exclusion, insecurity and vulnerability of LDCs;

(d) [[Supporting LDCs' efforts to expand economic opportunities for their citizens and promote equitable] [Expanding economic opportunity for LDCs and promoting ~~ensuring~~ equitable] distribution of benefits from globalization;]

(e) In the area of human and institutional capacity building, designing and providing donor support programmes to genuinely strengthen LDCs' national capacities and not replace them;

(f) [Supporting LDCs in gaining access to information and communications technologies, necessary physical infrastructure and critical capacity-building that would facilitate bridging the digital divide through support for diffusion ~~transfer~~ of technology, in accordance with relevant intellectual property rights regimes;]

(g) Supporting sectoral policies and programmes in a manner that helps achieve an appropriate balance between economic objectives, such as strengthening and diversification of the LDC economies, and social development goals;

(h) Undertaking public information campaigns, with the participation of relevant stakeholders, to increase public understanding of the development challenges faced by the LDCs, as well as public support in favour of the genuine and urgent need for development of the LDCs;

(i) Supporting the efforts of the LDCs in creating and promoting a comprehensive and integrated information base, including through strengthening of national statistical systems.

Commitment 2: [~~Promoting~~ Ensuring (EU) good governance] [Promoting transparent and accountable governance] (G77)

24. [Successful implementation of the objectives, policies and measures contained in the Programme of Action will require, among other things, that these be supported by principles and practices of good governance, involving transparent, accountable, ~~clean~~ **(G77)** and ~~well-functioning~~ **efficient (G77)** institutions and practices within the Government, the private sector and civil society. **Good governance is a necessary precondition for the implementation of commitments in favour of LDCs, particularly regarding debt relief, debt management capacity, fiscal reforms, customs reforms as well as financial sector reforms. (Switzerland) Despite persistent efforts by LDCs, it has not been possible yet to institute these goals, primarily due to lack of concrete and effective international support measures. (G77) Despite efforts by LDCs in this regard, including support from the international community, these goals have not yet been achieved.(US)]**

25. In LDCs, many institutions and processes are ~~weak~~ **inadequately developed (G77)**, reflecting low overall levels of socio-economic development. ~~It should be recognized that promoting good governance in these countries is a daunting undertaking and should be approached with a long-term view.~~**(EU)** [Governance issues at the international level **especially within the international financial institutions and other multilateral organizations (G77)** that affect LDCs' development ~~also~~ **(G77)** need to be fully addressed. **Adequate attention must be paid to checking unfair business practices and corruption by multinational companies. (G77)** Enabling the LDCs to have a greater voice in international institutions and processes is an important task in this regard.] **[Multilateral policy and regulatory issues that affect LDCs development efforts should also be addressed. Taking LDCs circumstances and interests into account in multilateral institutions and processes is an important task in this regard. (US)]**

26. **[A close association between public sector and civil society is essential to the improvement of economic, social and political governance. Furthermore, the process of decentralisation, made possible by the transfer of competence and financial resources and by a set of fiscal measures is essential. (Switzerland)]**

27. **[The functioning of public administration has to be scrutinized in order to allow a better handle on resources which LDCs can mobilize. In light of this, fiscal reforms as well as financial sector reforms in order to better mobilize savings offer clear potential.] (Switzerland)**

28. **[An active, comprehensive and integrated policy of peace-building and conflict prevention, including the protection and promotion of human rights, is a major element of a sustainable development strategy. It shall in particular focus on the ~~root causes of~~ conditions that give rise to conflicts in a targeted manner and with an adequate combination of available instruments. Further, suitable action is also necessary to set responsible limits to military expenditures and the arms trade and to prioritize in governments' expenditure in favour of development.] (EU)**

29. [LDCs will ~~aim to continue to~~ **(Switzerland)** work along the following axes, with appropriate support from their development partners, **[including industrialized countries and non-LDC developing countries, as well as organizations of the United Nations system and other relevant multilateral organizations (US):][the developed bilateral partners, as well as organizations of the United Nations system and other relevant multilateral organizations (G77)]**

(i) Actions by LDCs

(a) Continuing efforts to establish an effective, fair and stable institutional, legal and regulatory framework in order to strengthen the rule of law and to foster effective participation of all relevant stakeholders at national and local levels in the development process;

(b) **[Protecting and (Norway)** Promoting political, civil, economic, social and cultural rights, as well as progressively integrating human rights principles and norms into development;

Alt(b) Promoting all internationally recognized human rights in the development process, in particular the right to development; (G77)

Alt(b) Striving for the full protection and promotion of ~~all internationally recognized~~ human rights and [taking a human rights based approach to development], [progressively integrating human rights principles into development] [~~**fundamental freedoms in the development process, including the right to development.**~~]

(c) [Fostering ~~fair~~ just, transparent and well functioning **government accountable to the people;** ~~executive, legislative and judicial institutions. This should involve promoting accountability, efficiency and ethical standards in the civil service, (while ensuring better remuneration for civil servants); organizing open, free and fair elections to national and local legislative bodies; and guaranteeing the independence of the judicial system;~~] **(G77)**

(d) [**Recognizing that armed conflict is one of the greatest obstacles to sustainable development, and pursuing national policies and strategies [for peaceful resolution of conflicts] [to promote confidence building, conflict prevention, peace building, dispute settlement and reconciliation]** ~~**making every efforts to peacefully resolve conflicts through equitable access to political and economic opportunity for all;**~~] **(US)**

(e) Promoting **[where appropriate] (Norway)** decentralization and local governance to facilitate broad-based popular participation in development; **(Note: delete subparagraph (G77))**

(f) Enabling the poor through promoting social inclusion and empowerment in order to enhance their effective participation in the governance process, *inter alia* by strengthening their social networks;

(g) Striving to fully protect and promote gender equality, non-discrimination and the empowerment of women as effective means contributing to eradication of poverty, elimination of hunger, combating disease and stimulating growth and sustainable development;

(h) [Strengthening human and institutional capacities, ~~within the Government and other stakeholder entities~~ **(G77)**, for the formulation, application and evaluation of policies and actions ~~for good governance~~**; and promoting fundamental rights at work] (Norway)**;

(i) Strengthening policies and measures aimed at social, economic and political inclusion of all segments of societies;

(j) Strengthening efforts to fight corruption, bribery, money laundering, illegal transfer of funds and other illicit activities by strengthening anti-corruption laws and regulations and their effective application.

(ii) Actions by development partners

(a) **[Encouraging more active participation of LDCs** ~~Facilitating an improved and effective participation of LDCs~~ **(US)** in international dialogue and action on development, peace and security, as well as in decision and rule-making and standard-setting in all areas affecting their development;

Alt(a) Ensuring meaningful support for effective participation of LDCs in international dialogue and action on development as well as in decision and rule-making and standard-setting in all areas affecting their development including through extending meaningful support for IFIs, WTO and other relevant organizations;] (G77)

(b) [Providing ~~adequate financial and technical~~ **(US)** support **upon request of countries (G77)** for human and institutional capacity-building ~~for good governance~~ **(G77)**. In doing so, the principle of sovereignty, as well as social, cultural and religious [**backgrounds] (Holy See)** ~~sensitivities~~ [**diversities**] **(G77)** of individual LDCs **and development partners (US)**, will be ~~fully~~ **appropriately (US)** respected;]

(c) [Providing appropriate assistance to **help** resolve **(US)** conflicts and other complex emergencies in LDCs, as well as ~~adequate~~ **(US)** support for confidence-building, post-conflict peace-building and reconstruction, and meeting humanitarian needs, including for the poor, **returnees, (Norway)** refugees and internally displaced persons;

Alt(c) Providing appropriate and sufficient assistance including technical and financial assistance in conformity with the Charter of the United Nations, the respective mandates of international organizations and upon requests of national Governments for the prevention and resolution of conflicts and other complex emergencies in LDCs, as well as adequate support for confidence-building, post-conflict peace-building, reintegration and reconstruction;] (G77)

(d) **[Upon requests of LDC Governments and in line with the principles enshrined in the UN Charter, undertaking to support measures to prevent and resolve conflicts in LDCs, thus paving the way for durable peace and sustainable development. In this regard, the international community is called on to refrain from any activity that may lead to the prolongation of war and sustainability of conflicts;] (G77)**

(e) Supporting the efforts of LDCs to strengthen institutional capacity and regulatory frameworks for preventing corruption, bribery and money laundering, illegal transfer of funds and other illicit activities by both public and private entities;

(f) Working with LDCs to ensure transparency of development cooperation programmes, including tendering for international aid projects;

(g) Assisting LDCs in building partnerships and networks domestically among their institutions as well as at the international level, including those in the private sector, civil society and relevant intergovernmental bodies in order to promote private and public sector dialogue to improve their capacity to enhance transparency and accountability in economic activities and development.

Commitment 3: Building human and institutional capacities

30. LDCs' greatest assets are their women, men and children whose potentials as both agents and beneficiaries of development must be fully realized. Efforts at development of human capacities in LDCs have been affected by low school enrolment and low health, nutrition and sanitation status and by the prevalence of the HIV/AIDS pandemic, particularly in Africa, and malaria, tuberculosis and other communicable diseases, as well as by natural and man-made disasters [and in some cases armed conflict]. Making steady progress in this area will be a major objective during the decade. An immediate priority is to focus greater effort on fighting HIV/AIDS, malaria and tuberculosis and their social and economic impact. At the same time, longer-term policies and strategies must be pursued in health, education, employment and rural development, with due consideration for cross-sectoral synergies.

A. Social infrastructure and social service delivery

31. [The 20/20 initiative is to be implemented based on mutual agreement and commitment by donors and LDCs, with a view to facilitating universal access to basic social services.]

32. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Increasing budgetary allocations in favour of social infrastructure and basic social services, including through intersectoral reallocation and appropriate cost-recovery measures, with due consideration for the protection of the poor;

(b) Creating an efficient environment for and enhancing the effectiveness of social sector investment, including through greater reliance on a participatory local community approach in the design, implementation and evaluation of measures relating to the provision of social infrastructures and basic social services, particularly to improve the condition of the poor members of the community, including through building on deeply embedded traditions of voluntary mutual aid and self-help forms of social capital;

(c) Offering training, including on-the-job training, to social service providers, particularly to teachers and health-care personnel, taking into account gender equality;

(d) Encouraging private sector involvement to complement public sector provision of social infrastructure and social services within an appropriate regulatory framework, and seeking lessons from the past in order to avoid repeating failure;

(e) Giving adequate priority to issues of housing and sustainable human settlements in rural areas and in urban locations with a concentration of the poor;

(f) Making efforts towards the establishment and improvement of national health facilities and statistics.

(ii) Actions by development partners [including industrialized countries and non-LDC developing countries, as well as organizations of the United Nations system and other multilateral organizations][the developed bilateral partners, as well as organizations of the United Nations system and other relevant multilateral organizations]

(a) [[Strengthening the effectiveness of] [Making available increased] ODA to support LDC efforts toward provision of social infrastructure and social services;

Alt(a) Increasing ODA allocations in line with internationally agreed targets;

Alt(a) Making available increased and more focused ODA to enable Governments to take on the responsibility of providing basic social services;

(b) [Supporting the implementation of the 20/20 initiative by the LDCs by making available increased ODA allocations;]

(c) Promoting and encouraging innovative sources of funding and providing technical support through partnerships among LDC and donor Governments, the national and international private sector, and NGOs and foundations;

(d) Contributing to enhancing the efficiency and effectiveness of the social sector by reducing aid-related transaction costs and facilitiating government coordination efforts among relevant stakeholders;

(e) Assisting in improving the collection and dissemination of relevant information, including in the establishment and improvement of national health facilities and statistics in LDCs;

(f) Assisting LDCs in developing effective safety nets and swift response mechanisms to cope with natural disasters and socio-economic shocks, [including ~~especially~~ those resulting from economic reform programmes and fiscal adjustment.]

B. Population

Goals and targets

33. The following goals and targets will be pursued during the decade:

(a) Making available, through the primary health care system, reproductive health to all individuals of appropriate ages as soon as possible and no later than the year 2015;

(b) [Universal access to safe and reliable contraceptive methods.]

34. Action by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Strengthening population policies and strategies consistent with internationally agreed goals and objectives, as well as with the particular circumstances and demographic trends of LDCs, as an integral part of development policies;

(b) Strengthening basic health care systems and increasing access to and availability of quality health care, including reproductive and sexual health care [and promoting reproductive rights], in the broader context of health sector reform, with particular emphasis on maternal/child health;

(c) Addressing effectively, including through appropriate policies, problems and conditions of labour supply and internal migration.

(ii) Actions by development partners

(a) Providing [increased][strengthened] support to LDCs in their efforts to build national capacity for formulating and implementing population and development policies and strategies and to access and use appropriate technology and know-how;

(b) Assisting LDCs to redress the severe inadequacies in demographic data that hamper effective population policy;

(c) Providing support, including technical, financial or other forms of support, to LDCs to improve conditions of labour supply and mitigate problems of migration.

C. Education and training

Goals and targets

35. Policies and measures will be pursued in line with the following goals and targets:

(a) [Ensuring free, compulsory and universal primary education for both girls and boys by 2015;] [Ensuring that by 2015 all children, particularly girls, children in difficult circumstances and those belonging to ethnic minorities, have access to and complete, free and compulsory primary education of good quality];

(b) Achieving a 50 per cent improvement in levels of adult literacy by 2015, especially for women, and equitable access to basic and continuing education for all adults;

(c) Eliminating gender disparities in primary and secondary education by 2005, and achieving gender equality in education by 2015, with a focus on ensuring girls' full and equal access to and achievement in basic education of good quality.

36. Actions by LDCs and the development partners in pursuing the above targets will be along the following lines:

(i) Actions by LDCs

(a) Assigning high priority to education, particularly basic education and vocational training, in development budgets, [and increasing substantially expenditure on teaching materials and teacher training and supervision ~~and management~~] to improve access to and quality of education;

(b) Mobilizing national and international political will for Education for All and developing or strengthening existing National Action Plans on Education, as agreed at the Education for All Conference in Dakar, integrated into a wider poverty reduction and development framework, to ensure that all girls and boys and women and men gain the core skills they need to take advantage of economic opportunities;

(c) Redressing pro-urban and pro-male bias in educational policies, where it exists, by actions on both the demand and supply sides, improving curriculum and teacher training so that they are gender-sensitive, and improving girls' enrolment at primary and secondary levels in both urban and rural areas;

(d) Developing and strengthening instruction and technical and vocational training on science and technology, particularly information and communications technologies (ICTs), and exploiting the potential contribution of ICTs to learning, including through the use of distance learning;

(e) Taking measures to reduce drop-out rates of children, especially girls, particularly to retain in school children who are poor, vulnerable, disadvantaged and socially marginalized;

(f) Promoting partnership with the private sector in an integrated system that links education, training and employment, including self-employment;

(g) Enhancing non-formal education in order to promote adult literacy among women and men;

(h) Developing an incentive system to attract highly qualified nationals working abroad to take advantage of their skills and make good use of their experience for facilitation of networking between the institutions in which they were working and LDCs' institutions;

(i) Implementing education programmes and actions, including public awareness programmes, to address the HIV/AIDS pandemic, tuberculosis, malaria, and other communicable diseases;

(j) Promoting a culture of peace, particularly through education, and strengthening efforts towards peaceful resolution of conflicts;

(k) Strengthening health education programmes, complemented by immunization programmes, nutrition, safe water and sanitation and the creation of healthier environments, in recognition that healthy well-nourished children are better learners.

(ii) Actions by development partners

(a) Providing enhanced support, including strengthened ODA, from both bilateral and multilateral sources, to reach the above targets on education and literacy;

(b) Helping LDCs develop or strengthen national plans of action for education, with provision of special technical support to countries facing significant challenges, such as complex crises and natural disasters;

(c) Providing support to institutional capacity-building for the formulation and implementation of human resources and institutional development policies and intensifying efforts to transfer knowledge and improve the capacity for local knowledge creation in LDCs;

(d) Supporting systemic reform activities in the education sector;

(e) Encouraging and assisting LDCs in building capacities for pre-school, primary, secondary and tertiary education and technical and vocational training;

(f) Strengthening local stakeholders working in education, largely through local communities and locally based schooling initiatives;

(g) Supporting LDC Governments in expanding and strengthening education programmes related to HIV/AIDS, malaria, tuberculosis and other communicable diseases, in partnership with NGOs and other national stakeholders;

(h) Supporting initiatives to overcome barriers to girls' education, and achieving expanded and improved learning for girls;

(i) Assisting with efforts, including through technical or other forms of support, to introduce innovative education and training methods, including distance learning;

(j) Encouraging and facilitating networking among educational and training institutions in developed countries and those in LDCs, including provision of voluntary services in educational and training fields;

(k) Providing financial and non-financial resources for research and development activities carried out in LDCs, including facilitating partnerships between researchers in LDCs and researchers in development partner countries granting incentives to international researchers to participate in R & D activities in LDCs in such areas as health and sanitation, nutrition, education, and other social services;

(l) Supporting LDCs' efforts in developing an incentive system to attract highly qualified nationals working abroad.

D. Health, nutrition and sanitation

Goals and targets

37. Policies and measures will be pursued in line with the following goals and targets:

(a) Reducing the infant mortality rate [for both genders] below 35 per 1,000 by 2015;

(b) Reducing the under 5 mortality below 45 per 1,000 by 2015;

(c) Reducing the maternal mortality rate by three-quarters of the current rate by 2015;

(d) Reducing the number of undernourished people to half by the year 2015;

(e) Reducing by half by 2015 the proportion of people who are unable to reach or to afford safe drinking water;

(f) Reducing HIV infection rates in persons 15-24 years of age by 2005 in all countries, and by 25 per cent in the most affected countries;

(g) [Increasing the percentage of women receiving maternal and prenatal care by 60 per cent;]

(h) [Halving malnutrition among pregnant women and among pre-school children in LDCs by 2015;]

(i) [Substantially reducing infection rates from malaria, tuberculosis and other killer diseases in LDCs by the end of the decade; reducing tuberculosis (TB)

deaths and prevalence of the disease by 50 per cent by 2010; and reducing the burden of disease associated with malaria by 50 per cent by 2010;]

38. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Developing health systems in which special attention is given to the poorest sectors of society by promoting community participation, including, when possible, useful and proven traditional structures, in planning and managing basic health services, including health promotion and disease prevention, bearing in mind the gender aspect;

(b) Increasing public expenditure and encouraging greater private and community investment to achieve international goals and targets in the area of health, nutrition and sanitation consistent with public policy objectives related to equitable access;

(c) Embarking on prioritized and [verifiable programmes] [controllable programmes with intergovernmentally agreed indicators of achievement for combating malnutrition and] for the prevention, treatment and control of communicable disease, particularly HIV/AIDS, malaria, tuberculosis, diarrhoeal disease and respiratory disease, including the enhancement of public health infrastructures;

(d) Giving priority to strengthening the provision of social services related to health care, including nutrition, disease prevention, immunization, education, clean water and safe sanitation;

(e) Embracing programmes geared toward providing care for people living with and affected by HIV/AIDS and for children orphaned by AIDS;

(f) Encouraging domestic research capacity-building and fully exploiting traditional knowledge systems in the areas of health, as well as adopting best practices elsewhere;

(g) Developing and implementing prophylactic programmes for preventable childhood diseases and conditions;

(h) Increasing the availability and accessibility of safe drinking water, particularly for rural populations;

(ii) Actions by development partners

(a) Enhancing ODA and other forms of support, including technical support, for health, safe water and sanitation and supporting LDCs in ensuring access to and availability of safe drinking water by the year 2005;

(b) [Assisting LDCs to improve access to essential medicine and vaccines, including life-saving drugs at affordable and/or no cost, [where possible ~~including through an active role by multinational pharmaceutical companies~~;] [in partnership with multinational pharmaceutical companies by promoting and protecting traditional knowledge and by easing the intellectual property constraints thereon;]

(c) [Assisting LDCs to set up effective health infrastructures and to increase access to affordable necessary medicines and vaccines, including urging the pharmaceutical industry to make drugs for HIV, malaria and tuberculosis [more] affordable, particularly for the poorest countries, while reaffirming the need for strict compliance with safety and quality assurance and other laws and regulations;]

(d) Supporting LDC Governments in expanding and strengthening programmes related to HIV/AIDS, malaria, tuberculosis and other communicable diseases, in partnership with NGOs, the private sector and other national stakeholders;

(e) Supporting research and analysis on the effects of environmental pollution on human health as a factor limiting economic growth and development;

(f) Supporting LDCs' Governments in strengthening programmes for control of epidemics, including quarantine processes and infrastructure.

E. Social integration

39. People living in extreme poverty suffer not only from lack of income but also from lack of access to basic social infrastructure. Poverty fosters social exclusion and exposure to shocks, man-made or natural; it also severely limits the capacity to withstand such shocks, which can increase the number of people living in poverty. Actions by LDCs and their partners should include promoting greater social integration and strengthening, where appropriate, mechanisms for the participation and protection of all people, including disadvantaged and vulnerable groups and persons. Measures should be taken to ensure respect for and protection of the human rights of migrants, migrant workers and their families, to eliminate the increasing acts of racism and xenophobia in many societies and to promote greater harmony and tolerance in all societies.

40. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Supporting civil society, including traditional and community organizations, in efforts to invest in building social capital and social networks, particularly for the poor and marginalized;

(b) Promoting appropriate legislation for greater social integration and social inclusion, paying special attention to minorities and other vulnerable groups;

(c) Promoting education programmes that emphasize tolerance based on race, religion, sex, age or ethnicity;

(d) Promoting diversification of income sources and crop and plot utilization, with the full participation of those involved at the community level;

(e) Establishing and strengthening micro credit institutions in view of their capacity to make available credit, mobilize savings and provide related financial and business services for an increasing number of people living in poverty, particularly women.

(ii) Actions by development partners

(a) Strengthening support for policies and measures in LDCs that enhance social integration and social safety nets, including those which encourage voluntary actions, as well as organizations and mechanisms in the governmental and non-governmental sectors promoting such policies;

(b) Strengthening the capability and encouraging the cooperation of relevant UN agencies to promote social integration and social safety nets, particularly in complex emergencies and in post-conflict and disaster management strategies;

(c) Supporting the strengthening of existing and emerging micro credit institutions in LDCs;

(d) [Establishing a contingency fund to assist LDCs facing natural and manmade disasters, as well as economic hardships.]

Commitment 4: Building productive capacities to make globalization work for LDCs

41. The capacity of LDCs to accelerate growth and sustainable development is impeded by various structural and supply-side constraints. Among these constraints are low productivity; insufficient financial resources; inadequate physical and social infrastructure; lack of skilled human resources; degradation of the environment; weak institutional capacities, including trade support services, in both public and private sectors; low technological capacity; lack of an enabling environment to support entrepreneurship and promote public and private partnership; and lack of access of the poor, particularly women, to productive resources and services. Geographical handicaps faced by landlocked and island LDCs aggravate the impact of these impediments. Critical factors to stimulate productive capacity include: stable macro-economic conditions, a conducive legal and regulatory framework, adequate institutional, physical and social infrastructure and a vibrant private sector. An effective dialogue between government and the private sector, as well as policy consistency within trade, investment and enterprise development, is needed to underpin an enabling environment for economic development. Concrete support should be based upon the national programmes of action or poverty eradication strategies of LDCs.

42. The following goals and targets may be pursued in accordance with national development policies and strategies:

(a) **Striving progressively, during the decade covered by the Programme of Action, to increase** ~~Increasing~~ road networks or connections in LDCs to the current level of other developing countries and urban road capacities, including sewerage and other related facilities[, by 20 per cent by 2010];

(b) Modernizing and expanding ports and airports and their ancillary facilities to enhance their capacities [by 10 per cent];

(c) Modernizing and expanding railway connections and facilities, increasing their capacities to the level of those in other developing countries [by the end of the decade];

(d) Increasing LDCs' communication networks, including telecommunication and postal services, and improving access of the poor to such services in urban and rural areas to reach the current levels in other developing countries;

(e) Increasing computer literacy among students in higher institutions and universities [by 50 per cent] and in junior and high schools [by 25 per cent by 2015];

(f) Increasing Internet connections in LDCs to match those in other developing countries [by the year 2010];

43. A paramount objective of the actions by LDCs and their development partners should be to continue to strengthen productive capacities by overcoming structural constraints.

Access to finance by way of domestic resource mobilization, foreign direct investment and increased ODA resources will be critical in this regard. LDCs should be treated with flexibility in the application of relevant multilateral disciplines, without compromising those disciplines, so as to allow them a degree of freedom in providing appropriate incentives with a view to improving productive capacity, diversification, and export capability and raising competitiveness.

44. In the LDCs, national development programmes can be effective only if they attempt to address the supply capacity weaknesses of this group of countries.

45. The ongoing process of globalization and interdependence is potentially a powerful and dynamic force that can contribute to growth, poverty eradication and sustainable development for LDCs. However, the LDCs have not been able to take full advantage of these opportunities, owing to supply and demand side constraints facing them. Strong actions are therefore required to help LDCs to integrate beneficially into the world economy, reversing their marginalization in global trade, finance, investment and technology flows. In this respect, addressing supply capacity weaknesses by building productive capacity will be crucial.

46. [Macro-economic stability is essential to development and building productive capacity to make globalization work for LDCs. This requires open national markets, market-oriented policy approaches, political stability and a network of strong and reliable financial, legal and administrative institutions. It will also be facilitated if policy-making takes place in a regional framework that ensures monetary stability, fiscal discipline, stable trade relationships and reliable communication and transport networks.]

A. Physical infrastructure

47. The objective of actions by LDCs and their development partners is to provide a reliable physical infrastructure, which is essential for efficient operation of existing productive assets and enterprises, attracting new investment, and assuring meaningful economic development. The specific geographical constraints and problems of land-locked and small island LDCs deserve particular attention.

48. Actions by LDCs and the [development partners] will be along the following lines:

(i) Actions by LDCs

(a) Providing support to the development and strengthening of critical areas of physical infrastructure, including rural infrastructure, transportation, energy, telecommunications, information and communications technologies, and water, including through the encouragement of more private investment;

(b) Promoting a bilateral, subregional and regional approach to economic infrastructure rehabilitation and development in order to gain economies of scale and attract both FDI and donor funding.

(ii) Actions by development partners

(a) Supporting, *inter alia* through ODA, LDC efforts to upgrade and develop physical infrastructures, by augmenting public investment in maintaining, upgrading and developing such infrastructure;

(b) Providing technical support and private sector guarantees to support infrastructural programmes in order to facilitate bilateral, subregional and regional complementarities, including between land-locked LDCs and their transit partners;

(c) [Creating a special fund to an amount of $2 billion per annum for infrastructure development in LDCs;]

(d) Supporting LDCs' efforts to attract private investment and facilitate the transfer of the relevant technology, in accordance with relevant multilateral agreements, for the development of physical infrastructure

B. Technology

49. Enterprises in LDCs are characterized by employment of low-level technologies, lack of resources to acquire new technologies, and low capability for upgrading old technologies or adapting and utilizing new ones when they are available. [Transfer of technology by transnational corporations is often inhibited by lack of pro-competitive policies, regulatory transparency, market liberalization and absorptive capacity of local enterprises.] The very low level of technology in LDCs, including in the areas of new technologies such as ICTs, biotechnology and environmentally sound technologies, will need to be addressed through concerted actions by LDCs and their development partners. LDCs are facing the danger of increased marginalization as access to global networks, new information technologies and advanced services become driving forces of integration into the world economy. In this context, research and development, including, *inter alia* through the private sector, has a strategic role to play in strengthening know-how and building the necessary special knowledge base in LDCs to prevent a widening digital divide.

50. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Articulating policies and measures to foster an enabling environment to facilitate the acquisition and development of technology and to enhance innovation capacity;

(b) Attracting FDI that is conducive to transfer of technology, and building up supply capabilities and promoting inter-firm, as well as horizontal and vertical linkages in order to foster the diffusion of new technologies within the economy while promoting its integration;

(c) Promoting appropriate and sustainable technologies by investing in local research and development and capacity-building programmes and by utilizing new and emerging technologies, including the Internet.

(ii) Actions by development partners

(a) Through financial, technical and/or other assistance, supporting LDCs' efforts to achieve levels of investment in infrastructure for education and training that are consistent with building local technological capabilities, including through innovative private partnerships;

(b) Assisting LDC firms to link up with firms in developed countries in ways that would play a catalytic role in LDC technological development;

(c) Considering innovative mechanisms with a view to according LDCs special treatment in facilitating acquisition, transfer and development of technology to help LDCs gain access to technology;

(d) Fostering concerted international partnership to bring the benefits of ICT to LDCs so as to improve connectivity and reduce the "digital divide";

(e) Promoting linkages between research and development institutions in the LDCs and their development partners;

(f) [Continuing to implement and take necessary steps to comply with] [Complying fully with] ~~[Taking urgent and concrete steps] to implement~~ already existing multilateral commitments in the area of technology transfer, particularly by providing incentives as provided for and agreed in article 66(2) of the TRIPS Agreement;

(g) [Ensuring access to technology and procurement of equipment on a non-commercial and non-profit basis.]

C. Enterprise development

51. Production in most LDCs, particularly in the private sector, is dominated by smallholder farmers, small enterprises and the informal sector, including industrial and service enterprises which supply most basic goods and services and generate the greater part of employment and incomes. However, the majority of these enterprises have difficulties in expanding into medium and large-size firms, and usually lack sufficient skills and financial and non-financial business development services, access to finance, technology and managerial and entrepreneurial skills.

52. The private sector can play a crucial role in poverty reduction by contributing to economic growth and creating employment. Specific attention should be given to the needs of micro, small and medium-sized enterprises, including enterprises owned by female entrepreneurs, and to the development of a sustainable financial sector. [It is also important to encourage and promote good corporate practices and learning experiences in the areas of human rights, labour and the environment.]

53. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Creating an enabling environment for the development of entrepreneurship including by providing access to finance, including new and innovative forms of financing, as well as targeted business support services to micro, small and medium-sized enterprises in rural and urban areas, including female entrepreneurs;

(b) Promoting the informal sector through an appropriate legal and institutional framework that facilitates their graduation and improves access to energy, land, water and credit [and enforcement of property rights];

(c) Creating mechanisms for public/private sector dialogue and partnership in order to enhance coherence between trade, investment and enterprise policies and in this regard assist capacity-building of representative business associations;

(d) [Promoting South-South cooperation in taking the above actions;]

(e) [Encouraging local enterprises to exercise corporate social responsibility, *inter alia* in the areas of human rights, labour and environment.]

(ii) Actions by development partners

(a) Complementing the domestic efforts of LDCs by supporting programmes to improve access of informal, small and medium-sized enterprises to financial and business services, *inter alia* through [private] [and public] venture capital

funds and partnerships as well as micro-credit mechanisms, and to build the capacity of local sectoral trade support institutions in both the private and public sectors, including through transfer of technology;

(b) Providing support to strengthen managerial and technical skills and other business support services, including access to information;

(c) Encouraging public-private dialogue and partnerships with LDC enterprises to facilitate foreign direct investment flows, including technology and other intangible assets;

(d) [Encouraging and assisting LDCs to promote South-South cooperation;]

(e) Encouraging TNCs, in accordance with host country legislation, to exercise corporate social responsibility, *inter alia* in the areas of human rights, labour and environment;

(f) [Providing support for implementing] capacity-building programmes that provide training, business-development services, networking and partnering, and the institutional framework to foster entrepreneurial capabilities, managerial and technical skills, as well as the growth of internationally competitive small and medium-sized enterprises (SMEs);

(g) [Donors should co-ordinate themselves and promote the implementation of best practices through the support of relevant intergovernmental fora.]

D. Energy

54. The levels of production and consumption of energy in the majority of LDCs are inadequate and unstable. The majority of people, especially in rural areas, have to rely heavily on traditional sources of energy which are injurious to health and the environment. Efficient energy systems are a key element of economic growth, productivity increases, investment in improved technology, lower costs, and a higher level of national welfare. Energy also plays a key role in enhancing competitiveness and in attracting private investment. [The LDCs will need to put in place policies and regulatory measures in support of competitive open markets that facilitate free trade and investment in energy as part of efforts to improve infrastructure. A strong, efficient, competitive energy sector can support technologies that promote a mix of cost-effective, clean fossil and renewable energy sources for growth and sustainable development.]

55. Access to energy, transport and communication systems at affordable prices are important to sustainable development and poverty eradication. This will require, over the next few years, large-scale investments and the mobilization of an important amount of domestic and external resources. While domestic public investments have a positive role to play, in view of scarcities of domestic resources in LDCs, it will also be important to mobilize external capital, including official development assistance and foreign direct investment.

56. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Facilitating the availability of affordable energy, including through the introduction and promotion of innovative financing schemes in rural areas, such as micro-financing and cooperative arrangements for credit and licensing agreements, in order to encourage the involvement of the private sector in providing energy services;

(b) Enhancing capacities in energy production, trade, and distribution;

(c) Promoting renewable energy development by putting in place an enabling policy environment, with appropriate institutional arrangements;

(d) Promoting policies that address energy requirements and, in this context, giving as appropriate preference to cost-effective energy sources, including fossil and renewable energy development;

(e) Encouraging regional, subregional and bilateral cooperation in research and development, as well as investment to increase the production and consumption of both renewable and clean fossil fuels and to encourage the interconnection of energy grids;

(f) [Attracting domestic and foreign investments to increase energy infrastructure by creating a predictable and transparent framework of rules and regulations.]

(ii) Actions by development partners

(a) Supporting the LDCs in their development of energy resources, including renewable energy, natural gas and other clean energy sources, *inter alia* through financial assistance and private sector investment;

(b) Facilitating the transfer of technology for the development of clean energy technologies in accordance with relevant [international agreements] [intellectual property rights regimes];

(c) Promoting capacity building in the energy sector, including through national and regional centres of excellence;

(d) Supporting LDCs in coping with increases in prices of energy imports [*inter alia* through compensatory financing arrangements;] [Addressing LDCs' concerns in coping with increases in prices of energy imports, *inter alia* by supporting LDC efforts to diversify sources of energy, where feasible, in order to reduce dependence on any one source;]

(e) Supporting LDC efforts to diversify sources of energy, where feasible, in order to reduce dependence on any one source.

E. Agriculture and agro-industries

57. Agriculture is the pivotal sector in the LDCs, as it underpins food security, foreign exchange earnings, industrial and rural development, and employment generation. LDCs and their partners should pursue further reforms, taking into account the developmental concerns of LDCs, to improve the productive capacity of agriculture and fisheries, enhance productivity and competitiveness, diversify exports and move up the value chain in the processing and export of agricultural products. Increasing the [sustainable] [sustained] productive capacity of agriculture and fisheries and the income of people working in these sectors in LDCs is therefore a key priority. It requires new investments in regional and national agricultural and fishery research and rural infrastructure, extension of better farming and fishing practices and innovative and sustainable technologies, as well as marketing advice, structured and effective finance and greater tenure security, including access to and control over land by female farmers irrespective of their marital status.

58. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Increasing public and private investments in agriculture and programmes for rural economic and social infrastructure, including improving access to rural credit facilities, providing improved [TRIMS-compliant] investment incentives, as well as supporting institutions involved in research and development and extension services;

(b) Strengthening and supporting national, subregional and regional institutions for agriculture and rural development and facilitating their adaptation to changing conditions;

(c) Increasing access of the poor, particularly women, to support services and productive resources, particularly land, water, credit and extension services;

(d) Encouraging structural adaptations in production, processing and marketing systems so as to respond to evolving consumption patterns and to reduce costs and build on complementarities between production of cash and food crops and livestock, fisheries and forestry;

(e) Taking appropriate measures to implement national programmes of action derived from the United Nations Convention to Combat Desertification, in particular measures to conserve soil fertility and forestry and rehabilitate marginal lands;

(f) Facilitating access of farmers to appropriate high-yield varieties of seeds for both food staples and cash crops;

(g) Facilitating access of products to domestic and external markets;

(h) Promoting agro-based industries as a means to improve agricultural technology, raise rural incomes and foster stronger linkages between agriculture and industry;

(i) Diversifying production and exports from low value-added to high value-added products;

(j) Strengthening farmers' capacities so as to improve crop intensity, land cultivation, production, harvesting and storage systems;

(k) Developing agricultural marketing systems and storage and other related facilities and services;

(ii) Actions by development partners

(a) Providing support for LDCs' undertakings to improve agricultural productivity and increase competitiveness, *inter alia* through ODA and increased foreign direct investment;

(b) Facilitating access of LDCs to appropriate agricultural technologies and practices;

(c) Supporting LDCs' actions for the implementation of the national programmes of action deriving from the United Nations Convention to Combat Desertification, in particular measures to conserve soil, fertility and forestry and rehabilitate marginal lands;

(d) Supporting the mechanization of agriculture for higher productivity [where appropriate];

(e) Supporting LDCs in developing irrigation infrastructure to reduce heavy dependence on rainfall;

(f) Supporting development and expansion of social services and physical infrastructure to augment agricultural production;

(g) [Supporting appropriate] [Providing support for] LDC R&D policies and actions by, among others, improving access to advanced scientific and technological breakthroughs in the field of agriculture, including biotechnologies.

F. Manufacturing and mining

59. Manufacturing is critical to the pursuit of sustained growth in the LDCs because of their potential to enhance technological capacities, advance the diversification of production and exports, add value to exports, and foster intersectoral and inter-industry linkages. For a number of LDCs, mining is an important actual or potential source of foreign exchange

earnings. Recent reforms, which lead to modernization of manufacturing and mining industry, have enhanced prospects of private foreign and domestic investment in mining.

60. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Enhancing public investment with a view to supporting rehabilitation and sustainable development of the manufacturing sector and fostering domestic and foreign private investment;

(b) [Employing selective, performance-related and time-bound protection of infant industries.] [Seeking to end infant industry protection as soon as possible.] [Such protection should be used strictly as a transitional provision to address market failures and promote learning and capacity-building for future competitiveness;]

(c) Creating a framework, including by removing barriers discouraging private sector initiatives, that fosters horizontal and vertical ties among manufacturing firms and promotes collective efficiency, stimulates learning, and facilitates their access to infrastructure, training, information and financial intermediation;

(d) Developing capacity, including through public/private partnerships, to undertake geological mapping, maintain an updated data bank on mineral resources, and provide physical infrastructure in known mineral-rich areas with a view to stimulating private-sector involvement in mining;

(e) Encouraging local processing and value adding, including through diversification, and assisting informal, small-scale artisanal mining entities to upgrade into organized, formal small-scale mining units.

(ii) Actions by development partners

(a) Supporting LDCs' efforts to increase public and private investment, and the transfer of environmentally sound technologies [on favourable terms, including concessional and preferential terms] in the manufacturing and processing sector, [in accordance with the relevant intellectual property rights];

(b) Providing technical support for geological mapping and compilation of basic data on local mineral potential, product adaptation and market studies for small and medium-scale mines, as well as acquisition of new technologies, skills and modern methods of management by small-scale mining entities, including facilitating LDC partnerships with private investors.

G. Rural development and food security

61. Lack of food security is the most typical face of poverty for both urban and rural people in LDCs. Some 70 per cent of the poor and food-insecure are rural dwellers, many of whom are small farmers who produce on the brink of survival, or landless people trying to sell their labour. Poverty eradication is critical in improving access to food. Food and nutritional security must be part of a larger framework of sustainable rural development and of poverty eradication. In many countries, women are responsible for the bulk of food production, but they need the right to own land and to inherit land, *inter alia* in order to obtain credit and training, as well as tools, and to increase the productivity of the land and to be able to better feed themselves and their families. [All efforts will be made towards advanced implementation of the target of the World Food Summit to reduce [by half] the number of chronically undernourished people by 2015.] (to be moved to an appropriate section) [The high rate of HIV/AIDS prevalence in the rural areas is having devastating effects on agricultural productivity and food security and needs to be addressed.]

62. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Reviewing and revising, as appropriate, their national plans, programmes and strategies with a view to achieving food security and rural development;

(b) Strengthening local institutions and enacting policies and legislation that provide for more equitable and secure access to ownership and control of natural resources, particularly land, water, fisheries and forests, by both women and men;

(c) Strengthening agriculture and rural development support institutions and facilitating their adaptation to changing conditions, in consultation with users and giving due importance to gender-based and other inequalities in access to services;

(d) Promoting rural industries as a means to improve agricultural technology and raise rural incomes;

(e) Supporting and encouraging grassroots development activities, rural cooperatives and peasants' initiatives;

(f) Providing facilities for rural credit;

(g) [Continuing the process of liberalizing trade, expanding the sources of food supply and encouraging efficiencies in agricultural production, which will expand economic growth and food security;] (Move to Commitment 5)

(h) [Improving transport infrastructure and free flow of information with a view to more effective movement of food from surplus to deficit regions;]

(i) [Ensuring that food, agricultural trade, and overall trade policies are conducive to fostering food security for all through a fair and market-oriented agricultural trading system;] (Move to Commitment 5)

(j) Developing integrated nutrition projects for vulnerable sections of LDCs' population;

(k) [Ensuring women's rights to land and inheritance of land.]

(ii) Actions by development partners:

(a) Assisting countries in reviewing and formulating national plans for achieving food security and rural development;

(b) [Supporting LDCs' efforts to implement food security] [Providing technical assistance to LDCs to facilitate implementation of food security] and rural development programmes;

(c) [[Providing financial resources, particularly through ODA, to support and improve] [Supporting programmes and initiatives in LDCs, including to improve] rural credit facilities, and enhance investment in rural economic and social infrastructure;]

(d) Facilitating food security through bilateral, regional and multilateral approaches, [including purchase in regional markets in LDCs;]

(e) [Evaluating and revising the "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food-Importing Developing Countries" adopted in Marrakech in 1994 and endorsed by the World Food Summit in 1996 in order to better ensure its effective implementation with regard to the specific needs of LDCs.] (to be discussed in Commitment 5)

Alt(e) [Establishing a revolving fund by developed countries and international financial institutions, as a matter of urgency,] [Helping LDCs to cope with rising food requirements and associated high food import bills and assisting them in local food production.]

Alt(e) Helping LDCs to cope with rising food requirements and associated high-food imports bills and assisting them in local food production by evaluating and revising the decisions from Marrakech.

(f) [Increasing food aid levels to LDCs facing chronic food shortages and extending assistance in the establishment of early warning systems, while ensuring that food aid does not disrupt domestic food production.]

Commitment 5: Enhancing the role of trade in development

63. Trade will increasingly continue to be relied upon by LDCs to generate the resources for financing growth and development to complement those from ODA and private capital flows. The share of trade in GDP remains relatively high in most LDCs compared with other developing countries. However, the participation of LDCs in international trade is severely limited by a number of factors, in particular demand and supply-side constraints, as well as unfavourable market access conditions in [developed country] [trading partners] markets affecting the products of greatest export interest to them, which largely explain their marginal share of 0.4 per cent of world trade in 1998. Coping with increased global market competitiveness also presents an important and great policy challenge to LDCs, and how they respond to it will be decisive in their success in regional and global integration strategies. Concrete action by the LDCs themselves, as well as their development partners, will therefore be required in order to overcome these constraints and transform trade into a powerful engine for growth and poverty eradication, as well as an effective instrument for drawing benefits from globalization and trade liberalization. Coherent actions by the United Nations, the Bretton Woods institutions and the World Trade Organization along with the actions of Governments remain an essential element of overall policy reform. Integration into the world economy is an insufficient but necessary precondition for long-term sustainability of poverty eradication. Integration of LDCs into the global economy can only be achieved through an integrated approach, including trade and macroeconomic policy, private sector development, finance, infrastructure, education and other supply-side measures. Regional integration, compatible with multilateral trade rules, can be an important stepping stone for LDCs to integrate themselves into the world economy and can help make liberalization work by enhancing the credibility and transparency of policy reforms. Regional integration can contribute to increasing the size of markets and thus make them more attractive to FDI.

64. [The implementation of this commitment should be to the full benefit of LDCs, while taking into account the trade interests of [other developing countries] [development partners].]

A. Trade, commodities and regional trading arrangements

65. The actions below relate to external trade and related areas, commodities and regional trading arrangements, and should be read in conjunction with policies and actions under other commitments.

(i) Actions by LDCs

66. Actions by LDCs will include:

(a) Strengthening efforts to integrate trade policies into national development policies towards poverty eradication;

(b) Capacity-building in trade policy and related areas such as tariffs, customs, competition, investment and technology, including through the use of the Integrated Framework for Trade-related Technical Assistance for LDCs (IF);

(c) Improving economic openness and policy predictability, as well as sound macro-economic policy;

(d) Developing human and institutional capacities for effective and informed participation in the multilateral trading system and for effective negotiations on trade, finance, technology transfer and related areas;

(e) Removing procedural and institutional bottlenecks that increase transaction costs, including through efforts to improve efficiency, efficacy and transparency by the implementation of trade facilitation measures and improving standards and quality control;

(f) Taking advantage of market access opportunities through the identification and strengthening of lead subsectors in order to exploit actual and potential supply capacity;

(g) Promoting trade and the competitiveness of exports in order to facilitate the integration of domestic enterprises into the international economy;

(h) Intensifying horizontal and vertical diversification, including local processing of primary commodities;

(i) Promoting subregional and regional cooperation, including for export promotion, and improving transport infrastructure to reduce costs and increase trade flows, taking into account the needs of landlocked LDCs and transit neighbours;

(j) Implementing measures to enable women in LDCs, especially women entrepreneurs, to exploit the opportunities created by trade policy reforms and to mitigate any negative effects on them of these reforms.

(ii) Actions by development partners

67. Development partners will aim, including through actions within relevant multilateral fora, at:

(i) Assisting LDCs in capacity-building in trade policy and related areas such as tariffs, customs, competition, investment and technology, particularly through the use of the Integrated Framework for Trade-related Technical Assistance for LDCs (IF);

(ii) Assisting LDCs in developing human and institutional capacities for effective negotiations and informed participation in the multilateral trading system in order that LDCs reap maximum benefits from it;

(iii) Assisting LDCs in removing procedural and institutional bottlenecks that increase transaction costs, including through efforts to improve efficiency, efficacy and transparency by the implementation of trade facilitation measures and improving standards and quality control;

(iv) Assisting LDCs in intensifying horizontal and vertical diversification, including local processing of primary commodities;

(v) [Providing financial and technical and/or other forms of assistance in support of] LDCs' efforts to improve their transport infrastructure, particularly the efforts of island and landlocked LDCs, so as to reduce costs and increased trade flows;

(vi) [Supporting, *inter alia* through financial, technical and/or other forms of assistance, LDCs' efforts to promote subregional and regional cooperation, including for export promotion, and to improve transport infrastructure, so as to reduce costs and increase trade flows, taking into account the needs of landlocked LDCs and transit-neighbours;]

(vii) Assisting LDCs in their efforts to implement measures to enable women in LDCs, especially women entrepreneurs, to exploit the opportunities created by trade policy reforms and to mitigate any negative effects on them of these reforms;

Market access

(viii) Removing [all] [further] barriers to trade, [in particular] [*inter alia*] [tariff peaks and tariff escalation] facing LDCs' exports in the markets of developed trade partners in the shortest time possible [no later than the year 2003] by: provision of [bound] duty-free, quota-free access for [essentially all] [all] products originating from the LDCs [, combined with a multi-donor programmes such as the Integrated Framework, to upgrade LDCs' production and export capacities and capabilities; simplification and harmonization of existing rules of origin in a meaningful manner that helps to achieve the objective of such preferential schemes]; [simplification and harmonization] of existing rules of origin of preference-giving countries for LDCs so as to help ensure that LDCs benefit from the market access opportunities granted, in particular by value added production. Consideration should also be given to proposals for developing countries to contribute to improve market access for LDCs' exports;

(ix) [Ensuring the access of LDCs to the markets of developed economies and facilitating international trade;]

Special and differential treatment

(x) Implementing in full and as a matter of priority the special and differential measures in favour of LDCs as contained in the Final Act of the Uruguay Round. New measures for LDCs should also be considered as part of future multilateral trade negotiations;

(xi) Continuing to improve the generalized system of preferences (GSP) for [LDCs] [all beneficiaries], *inter alia* by reducing administrative and procedural complexities [and by making it a binding commitment in international trade rules];

(xii) [In the framework of appropriate negotiations, examining the possibility of strengthening the effectiveness of non-actionable categories of [industrial] subsidies in order to take into account the needs of LDCs;]

(xiii) [Increasing support to enhance agricultural production and productivity, among other things [~~targeting~~ **by** ODA to this sector and] putting in place additional measures to safeguard production from import surges and low import prices in accordance with WTO agreements;]

(xiv) (e) Strengthening, as required, technical assistance for the implementation of multilateral trade agreements and considering making such technical assistance an integral part of commitments to be taken in future trade agreements. Technical cooperation in areas related to the implementation of existing or possible new WTO agreements should complement LDCs' trade policy reforms;

(xv) Providing technical assistance for the implementation of the WTO Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures with a view to responding to the special problems faced by the LDCs;

Accession to WTO

(xvi) As some developing countries, including a considerable number of LDCs, are not members of WTO, facilitating the accession process on the basis of terms that take into account their stage of development and the basic principles of special and differential treatment;

(xvii) [Seeking early finalization of minimum criteria and procedures for accession of LDCs to the WTO; in the meantime supporting efforts of LDCs already seeking to accede;]

(a) There should be automatic eligibility of all acceding LDCs for all provisions on special and differential treatment in existing WTO agreements;

(b) [In view of LDCs' special economic situation and their development, financial and trade needs, WTO members should exercise restraint, where appropriate, in seeking concessions in the negotiations on market access for goods and services in keeping with the letter and spirit of the provisions of the Ministerial Decision on Measures in favour of Least Developed Countries;]

(c) [LDCs in the accession stage should be exempt from assuming obligations and commitments that go beyond what is applicable to LDCs that are WTO members;]

(d) Adequate and predictable assistance should continue to be provided to LDCs for their accession process, including technical, financial or other forms of assistance;

(e) The accession process for LDCs that are in the process of accession to WTO, should be accelerated.

Standard-setting and quality control

(xviii) Continuing to provide support for effective participation by LDCs in international standard-setting organizations in order to address their concerns;

(xix) Providing assistance to LDCs in developing infrastructure to ensure quality control and conformity to international standards of their products;

(xx) Adhering to [national and] international standards, guidelines and recommendations when applying sanitary and phytosanitary (SPS) measures and other technical standards as laid out in the SPS Agreement, and avoiding taking unilateral actions in a manner inconsistent with the Agreement;

(xxi) [Taking measures, including financial compensation, where appropriate, to mitigate trade losses incurred by the LDCs as a result of unilateral SPS trade measures found to be inconsistent with international standards and guidelines;]

Commodities

LDCs are particularly vulnerable to high fluctuations in resource flows through their exposure to external terms of trade shocks. The recent downward swing in the prices of primary commodities and the upward swing in petroleum prices are only the latest examples

of the effect of volatility of commodity prices on the poorest countries. Diversification of the export base would therefore help LDCs to overcome one of the most important weaknesses of their development. Furthermore, economic development in LDCs would benefit from policies aimed at developing the informal sector and the small and medium-size enterprises in LDCs.

(xxii) Supporting capacity building in the areas of research and development, production, processing and marketing of commodities, including addition of non-traditional commodities where market niches offer fresh opportunities;

(xxiii) Supporting diversification programmes in LDCs, including by strengthening activities covered by the Second Account of the Common Fund for Commodities and adaptive research and development (R&D) on production and processing aimed particularly at smallholders and small and medium-sized enterprises in these countries;

(xxiv) Continuing to provide technical and financial support to enhance the productive capacities of LDCs through stimulating investment, human resources development and enhancing technological capacities with a view to increasing the commodity exports of LDCs;

(xxv) Providing assistance, including financial, technical and/or other forms of assistance to LDCs in their efforts to create essential infrastructure to facilitate the functioning of liberalized domestic and regional markets;

(xxvi) Encouraging private sector initiatives and supporting the establishment of partnerships with foreign companies as *inter alia* a vehicle for the transfer of production and marketing skills;

(xxvii) Supporting LDCs' efforts in building institutional and technical capacities to gain access to and make use of modern risk management techniques and tools;

(xxviii) Continuing to provide compensatory financing in order to mitigate adverse consequences of commodity price volatility on LDC economies;

(xxix) Supporting LDCs' efforts to develop and take advantage of niche markets for goods such as horticultural, meat, fish and organic products and handicrafts, as well as cultural products;

Regional trading arrangements

(xxx) Taking appropriate account in regional integration arrangements of particular constraints that LDCs face as a result of their different level of development and supporting them to enhance their production, supply and trading capacities, as well as their capacity to attract investment, providing support to the process of trade and investment liberalization

and macro-economic and structural policy reform, as well as programmes at the regional level intended to enhance the benefits of integration for LDCs, and providing support to concrete joint subregional projects involving LDCs and non-LDCs participating in a subregional trade arrangement and intended to enhance the benefits of integration for LDCs;

(xxxi) Making use of the flexibilities provided for in multilateral trade rules relating to regional trade arrangements involving LDCs with the aim of fostering their smooth and beneficial integration into the world economy;

Integrated Framework (IF) and other trade-related technical cooperation

(xxxii) Integrating trade and trade-related technical assistance in country specific strategies;

(xxxiii) Implementing expeditiously and effectively the Integrated Framework for Trade-related Technical Assistance for LDCs, taking account of the pilot scheme;

(xxxiv) Encouraging new and additional contributions to the IF Trust Fund, as well as providing stable and predictable funding for the implementation of the Integrated Framework, including where appropriate, considering an increase from the regular budgets of the core agencies, as well as through bilateral programmes;

(xxxv) Continuing to implement existing programmes for coordinated trade-related technical assistance such as the Joint Integrated Technical Assistance Programme (JITAP) by providing systematic and sustained assistance to the Programme and considering to expand it to cover other African LDCs;

(xxxvi) Providing technical and financial assistance to help LDCs create institutional and human capacities in production, processing and increasing domestic value-added, marketing and management know-how in the field of international trade.

B. Services

68. Services such as tourism, transport and business services are increasingly important to LDCs, both as a direct source of foreign exchange earnings and for the expansion of the production base and diversification of exports. Tradable services are important to all LDCs, in particular to small island LDCs, which have a limited capacity for merchandise production. The development of niche markets for goods or services in which LDCs may have a comparative advantage represents an opportunity for LDCs to diversify their exports.

69. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Encouraging the strengthening and development of domestic and international services, including the new and emerging ones such as those that rely on telecommunications and ICTs, e.g. data processing services;

(b) Improving the availability and efficiency of infrastructure facilities to support services trade;

(c) Establishing appropriate institutional and legal frameworks to promote development of the domestic supply capacity in services and to ensure creation of competitive environment;

(d) Promoting regional trade in services among developing countries through harmonized legislation in selected services sectors for regional liberalization;

(e) [Continuing the process of policy reform, including trade liberalization ~~liberalizing trade~~, expanding the sources of food supply, encouraging efficiencies in agricultural production, which will expand economic growth and food security;]

(f) Ensuring that food, agricultural trade, and overall trade policies are conducive to fostering food security for all through fair and market oriented agricultural trading system.

(ii) Actions by development partners

(a) Supporting, through financial, technical and/or other forms of assistance, individual LDC efforts to develop the infrastructure for tradable services in which they have a comparative advantage;

(b) Assisting LDCs' efforts to improve export promotion and marketing;

(c) Supporting LDCs' efforts in modernizing facilities and equipment, as well as upgrading skills in information technology, including through transfer of technology to service sectors in accordance with relevant WTO Agreements;

(d) Providing support for LDCs in their strengthening of local banking systems and other financial services to make them competitive;

(e) Assisting LDCs through financial, technical and/or other forms of assistance to enhance their supply-capacity in tradable services, especially in tourism, air transport and other sectors of interest to LDCs;

(f) Removing restrictions and enhancing market access opportunities for service exports from LDCs, as provided for in relevant WTO Agreements in areas of export interest to them;

C. Reducing the impact of external economic shocks

70. The LDCs are structurally more exposed than most other developing countries to external economic shocks. LDCs also suffer the consequences of major global and regional economic and financial disturbances and increases in the prices of critical imports such as energy products. The typical export dominance of a single commodity or service sector makes their economies particularly vulnerable to adverse physical or economic shocks.

71. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Pursuing balanced policies that seek to limit transmission of external shocks into the domestic economy while promoting gradual liberalization;

(b) Developing safety nets to protect the poor and vulnerable segments of the population against the consequences of external shocks;

(c) Intensifying efforts to improve international competitiveness, including through trade facilitation measures and the use of electronic commerce and other facilities based on modern technology;

(d) Encouraging diversification in economic activities that are less prone to adverse external economic shocks, based on local competitive advantages. Diversification efforts should take place within a broader and integrated approach;

(e) Strengthening domestic financial systems through the implementation of an appropriate framework of rules and regulations, including through adequate prudential and supervisory mechanisms.

(ii) Actions by development partners

(a) Pursuing policies that aim at minimizing the risks of adverse external economic shocks and promoting a more predictable and stable international economic environment;

(b) Continuing to provide contingency and short-term emergency financial assistance, including balance-of-payments support through appropriate institutions, with a view to assisting LDCs to cope with the consequences of serious external shocks;

(c) Assisting LDCs in their efforts to strengthen their financial systems.

Commitment 6: Reducing vulnerability and Protecting the environment

72. Long-term threats to the global environment are a common concern of all countries, and there is an urgent need to address this issue on the basis of the principle of common but differentiated responsibility. The LDCs are acutely vulnerable to a variety of natural shocks, including natural disasters, and severe structural handicaps, and are susceptible to global environmental phenomena such as the loss of biological diversity and adverse effects of climate change which *inter alia* exacerbates drought, desertification and sea level rise. LDCs are at present contributing the least to the emission of greenhouse gases, while they are the most vulnerable and have the least capacity to adapt to the adverse effects of climate change. Such vulnerabilities generate considerable uncertainties and impair the development prospects of these countries, and they tend to affect the poor most, in particular women and children. Environmental degradation in LDCs also results from poverty that deprives households, village communities or enterprises of the means and technology required to preserve the environment. **Poverty eradication should be the first and overriding priority for LDCs and their development partners.** Eradicating poverty is an indispensable requirement for sustainable development and has to be addressed in **an integrated** and comprehensive manner.

A. Protecting the environment

73. LDC-specific objectives defined in Agenda 21 and Rio + 5, as well as commitments from multilateral environmental agreements, must be the basis for actions.

74. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) [[Implementing] Developing national strategies for sustainable development with the assistance of development partners by 2005 so as to reverse trends in the loss of national environmental resources by 2015;]

(b) Increasing efforts to ensure integrated responses to environmental and economic constraints, in the light of country-specific environmental and economic constraints and profiles of poverty and vulnerability;

(c) Strengthening the institutional and technological capacity to promote sustained economic growth and sustainable development by increasing the ability of policy makers to formulate and implement relevant legislation and environmental management plans;

(d) Strengthening the important role of women in land and forest management and in the choice and dissemination of appropriate technology;

(e) Encouraging sensitization and advocacy activities through greater reliance on local communities and their traditional knowledge and practices, civil society and educational institutions;

(f) Building their capacity in order to be able to respond adequately to existing and new environmental challenges;

(g) Identifying the special vulnerabilities and possible adaptation measures that need to be fully integrated into the country's development strategies, including development cooperation programmes.

(ii) Actions by development partners

(a) Continuing to make available financial resources from all sources, including new and additional resources on an adequate and predictable basis, technical or other resources and facilitating and financing access to and transfer of environmentally sound technologies on favourable terms, including concessional and preferential terms, as mutually agreed, and supporting LDCs' efforts in environmental protection in the context of sustainable development;

(b) Bringing to fruition the principles of the Rio Declaration on Environment and Development by, *inter alia*, and where appropriate, granting special priority to LDCs in international support, as well as facilitating relevant actions as recommended in the Programme for the Further Implementation of Agenda 21 and implementing multilateral environmental agreements to which they are parties, *inter alia* the United Nations Convention to Combat Desertification. This involves, among other elements, financial transfers and capacity-building efforts, including for the development and dissemination of modern and non-polluting energy resources, as well as improved technology for traditional energy resources, including fuel wood, especially in rural areas;

(c) Renewing the international community's commitment towards LDCs to continue to support the formulation of national environmental policies, development of human resources and institutional capacities, and environmental data bases;

(d) Supporting the strengthening of the capacity of the LDCs to participate in international environmental negotiations;

(e) [[Supporting] Providing assistance, through financial, technical and/or other forms of assistance, to LDCs' efforts to develop [the implementation of] national strategies for sustainable development in every country by 2005, so as to reverse the current trends in the loss of environmental resources by 2015;]

(f) Supporting the LDCs in their efforts to integrate the environmental component into national development policies and strategies;

(g) Assisting LDCs in establishing public-private sector partnerships to address environmental challenges.

B. Alleviating vulnerability to natural shocks

75. Post-emergency action, using effective and flexible mechanisms, must ease the transition from the emergency phase to the development phase, promote the socio-economic reintegration of the parts of population affected, remove as far as possible the causes of the crisis and strengthen institutions and ownership by local and national actors of their role in formulating a sustainable development policy. Both LDCs and development partners should encourage the involvement of the private sector, *inter alia* in the areas of disaster mitigation and disaster preparedness.

76. Actions by LDCs and the development partners will be along the following lines:

(i) Actions by LDCs

(a) Strengthening disaster mitigation policies and mechanisms, with a particular focus on the poor, especially women and children, and with the involvement of local communities and NGOs in disaster mitigation, early warning systems and preparedness and relief efforts;

(b) Pursuing or intensifying efforts to strengthen national early-warning and forecasting mechanisms, implementing preventive measures and sensitizing relevant parts of the population to the benefits of disaster preparedness and prevention;

(c) Developing and implementing comprehensive disaster mitigation and preparedness, policies and actions. Such policies should also respond to prolonged disasters with a slow onset such as drought, which often has very severe economic, environmental and social impacts;

(d) Considering the creation of innovative financial instruments, such as special insurance schemes, to facilitate post-disaster reconstruction with a view to maintaining standards of living and productive capacities in the LDCs.

(ii) Actions by development partners

(a) Giving priority attention to the LDCs in the substantive programme and institutional arrangements for implementing the new International Strategy for Disaster Reduction;

(b) Providing assistance for disaster mitigation, at the request of affected countries, as well as for improving the capacity of LDCs to identify mitigation scenarios and establishing protective measures and contingency plans;

(c) Supporting LDCs' enhancement of capacity to effectively participate in and benefit from regional and international early-warning and disaster mitigation and response networks, including through satellite-driven technologies;

(d) Sharing operationally useful disaster information, including satellite data, as widely as possible within the international disaster relief community, through appropriate programmes such as the UN web site ReliefWeb.

Commitment 7: Mobilizing financial resources

77. [[An enabling environment with peaceful solution of conflicts and respect for human rights and democracy provides the best context for] [domestic and international resource mobilization] [can take place in an enabling democratic environment and] in the presence of an appropriate network of strong and reliable financial, legal and administrative institutions. It requires the definition of a clear and consistent set of public objectives, sound macroeconomic policies, efficient management of public revenue and expenditure, better allocation of resources and incentives to encourage private savings and [capital repatriation], tax reforms, and a solid framework to implement stabilization or economic reform programmes.]

78. There is an immediate need to mobilize the financial resources that are required to implement the objectives and priorities as well as the targets that are set out in this Programme of Action aimed at the sustainable development of the LDCs. However, there is very limited scope, in the foreseeable future, to meet the multiple development finance requirements of LDCs with domestic resources because of sluggish growth or economic stagnation, widespread poverty and a weak domestic corporate sector. The large investment requirements of LDCs imply a need for new and additional resources, particularly [increased] ODA to LDCs supportive of national programmes of action, including poverty eradication strategies.

79. The following major goals and targets will be pursued:

(a) Providing ODA flows to LDCs in order to reach [if possible] [by 2005] the targets set out in paragraph 85 below and in the Programme of Action of the Second United Nations Conference on the Least Developed Countries;

(b) Ensuring adequate resources to meet the cost of the implementation of the enhanced HIPC Initiative;

(c) [Agreeing to cancel [Considering on a case by case basis cancelling] [without further delay but not later than 2005] all official bilateral [and multilateral] debt for all LDCs which [have reached the completion point of the HIPCs initiative] are eligible for HIPCs;]

(d) Implementing the enhanced programme of debt relief for the heavily indebted poor countries without further delay and agreeing to cancel all official bilateral debts of those countries in return for their making demonstrable commitments to poverty eradication;

(e) [Providing debt relief for those LDCs that are not included in the HIPCs by the year 2005;]

Alt(e) [[Considering] providing [on a case by case basis] [bilateral] debt relief for LDCs not eligible for the HIPC Initiative with debt service difficulties and which carry out sound macroeconomic and social policies aimed at poverty reduction;]

(f) Encouraging increased non-official flows, including investment flows, to LDCs.

A. Domestic resource mobilization

80. The key to increasing domestic resource mobilization and reducing dependence on external finance lies in achieving a firm structural basis which would sustain high per capita growth rates.

(i) Action by LDCs

81. Efforts of LDCs will include:

(a) Taking the necessary measures to stimulate domestic savings, with the goal of increasing domestic savings rates;

(b) Developing efficient and appropriate financial systems, including micro-finance, and an appropriate legal and regulatory framework;

(c) Establishing stronger links between financial sector and development goals and priorities;

(d) Promoting innovative financial mechanisms such as micro-credit programmes to mobilize savings and deliver financial services to the poor, including smallholders and the self-employed, particularly women, within an appropriate legal and regulatory framework;

(e) Strengthening efforts at enforcing prudential regulations governing banks and other financial institutions and providing central banks and other regulatory bodies with appropriate legal authority and supervisory and surveillance capacity to enforce compliance with relevant laws and regulations;

(f) Continuing to improve the performance and competitiveness of both private and public sector banks through recapitalization, providing managerial training, strengthening accounting and audit practices and developing modern management information systems [and by, as appropriate, gradually privatizing the banking sector;]

(g) [Improving the efficiency and equity of tax collection systems, [whenever possible aiming at broadening expanding the tax base] and enhancing effectiveness and transparency of public expenditure;]

(h) Enacting policies actively seeking to attract flight capital back from abroad;

(i) Preventing corruption, bribery and money laundering, illegal transfer of funds and other illicit activities by both public and private entities.

(ii) Actions by development partners

82. The development partners will:

(a) Support LDC efforts to ensure that aid and debt relief measures support rather than undermine domestic resource mobilization efforts. This implies constant attention to the productivity and sustainability of investments financed through aid, as well as awareness of the fiscal implications of aid and debt relief;

(b) Promote mechanisms through which domestic resource mobilization in LDCs can be enhanced by making use of aid resources;

(c) Support the efforts of LDCs in the areas of financial sector development and reform and in improving access of the poor to credit;

(d) Assist the efforts of all LDCs to strengthen institutional capacity and regulatory frameworks for preventing corruption, bribery, money laundering and illegal transfer of funds, as well as for the repatriation of those funds to the countries of origin.

B. Aid and its effectiveness

83. Despite the positive effects that domestic policies can achieve in mobilization of local resources, ODA will remain a critical resource for achieving the objectives, goals and targets of this Programme of Action. It is essential to consider fully both the quantitative and qualitative aspects of aid and the effective coordination of this aid. An essential condition for achieving this objective and reducing aid dependency in LDCs is the improvement of aid volumes and aid effectiveness. Also, increasing national ownership through better integration of external aid into macroeconomic and sectoral programmes is crucial, as are relevant auditing, accounting and management practices. National programmes of action offer possible frameworks for this task.

(i) Actions by LDCs

84. LDCs will seek to:

(a) Set up, in the context of national development strategies, the necessary public sector auditing and accounting systems, coherent budgets and medium-term expenditure plans;

(b) Integrate and coordinate aid within national plans and priorities and enhance administrative capacity;

(c) Design, implement and regularly update national development strategies through dialogue between government and national stakeholders to enhance national policy ownership;

(d) Identify sectors where ODA can have the most significant catalytic effect on efforts to eradicate poverty, and foster sustained economic growth and sustainable development;

(e) Establish, with the assistance of development partners, information systems to monitor the use and effectiveness of external resources, including ODA;

(f) Support institutional arrangements that encourage public-private partnerships.

(ii) Actions by development partners

85. Donor countries will implement the following actions that they committed to at the second United Nations Conference on the Least Developed Countries:

(a) Donor countries providing more than 0.20 per cent of their GNP as ODA to LDCs: continue to do so and increase their efforts;

(b) Other donor countries which have met the 0.15 per cent target: undertake to reach 0.20 per cent expeditiously;

(c) All other donor countries which have committed themselves to the 0.15 per cent target: reaffirm their commitment and undertake either to achieve the target within the next five years or to make their best efforts to accelerate their endeavours to reach the target;

(d) During the period of the Programme of Action, the other donor countries: exercise individual best efforts to increase their ODA to LDCs with the effect that collectively their assistance to LDCs will significantly increase;

(e) Support LDCs' efforts to develop information systems which record, at the recipient country level, indicators and other relevant information relating to aid effectiveness, both for individual donors and for the donor community as a whole, by providing logistical equipment for establishing such information systems and training and the maintenance of such systems.

86. [To better respond to national development programmes, including poverty eradication strategies, and on a mutually agreed basis,] donors will seek to:

(a) [[Continue movement toward] [Continue in an expeditious manner] untying of aid to LDCs [in line with discussions in the OECD-DAC;]]

(b) Improve aid transparency through internal reviews and OECD-DAC peer reviews. These reviews may examine indicators to capture the quality as well as the quantity of the assistance;

(c) [Aim at arriving at an international consensus on how to measure progress towards achieving international development goals, which could play an important role in strengthening the impact of ODA on the reduction of world poverty;]

(d) Encourage greater participation of recipient countries in discussions on international aid policy in order to strengthen partnerships and enhance the effectiveness of ODA.

87. [Performance indicators could include:

1. Impact of aid expenditures (some representative indicators);
2. Percentage of aid spent in recipient countries;
3. Percentage of aid expenditures made within priorities agreed with LDC Governments;
4. Difference between aid commitments and actual disbursements;
5. Percentage of aid provided on an untied basis;
6. Timeframe of aid commitments;
7. Donor responsiveness to recipient requests for information;
8. Percentage of technical assistance expenditures on experts spent on national experts.]

C. External debt

88. **The external debt overhang in [many/most LDCs [impedes/constitutes an element that adversely affects] their development [and continues to hamper growth and poverty eradication and threatens to undermine the essential political commitment to reform]. Debt service takes up a large part of scarce budgetary resources [that could be directed to productive and social areas] and the debt overhang harms the internal and external investment climate. The situation is aggravated further by effects of external financial turbulence, volatility of export earnings, and increases in the prices of essential imports.] In spite of the [substantial] debt relief measures undertaken since the Second UN Conference on LDCs, the debt burden of LDCs [as a group] has increased**

89. **The serious debt problems of [most/many] LDCs necessitate a comprehensive solution based on international and national action. [The measures to this effect would include [full, speedy and effective] implementation of the enhanced HIPC initiative], [measures to address structural causes of indebtedness], [increased official flows/provision of ODA], [full cancellation of debt/debt relief measures] and [measures to address structural causes of indebtedness], with a view to ensuring that these countries do not fall back into arrears.] (can be moved to action part) The full implementation of these actions is crucial [./and should [could] [needs to] be**

[expeditiously] extended to all [other] LDCs through the provision of new and additional resources.] (can be moved to action part) [Further] actions taken by multilateral and bilateral creditors to provide faster, deeper and broader debt relief for HIPCs could be useful steps towards solving serious debt problems. The steps taken by the donor community, particularly by members of the Paris Club and other bilateral creditors, to address external debt problems are welcomed. The debtor LDCs will aim at maximizing benefits from debt relief by [endeavouring to create/creating] a conducive national framework contributing to poverty eradication and faster economic growth, export growth, increased investment, enhanced productive capacities, employment and productivity, savings and international competitiveness. (can be moved to action part) [Pending full cancellation of debt], [there should be continuous monitoring/efforts should be continued to monitor] and review of LDCS' debt sustainability on the basis of [appropriate and] objective criteria [as part of the World Bank undertakings] [and independent analyses by independent bodies having wider representation including from LDCs.] (can be moved to action part)

(Elements to be included in action part:)

Actions by LDCs:

LDCs should make strong efforts to engage in poverty reduction strategies to obtain debt relief under the enhance HIPC Initiative.

Action by development Partners:

The full implementation of the enhanced HIPC Initiative, which is the most advanced debt relief measure, will require substantial financial resources.

Providing the additional resources necessary to fulfil the future financial requirements of the enhanced HIPC Initiative, on the basis of fair and equitable burden-sharing.

Non-Paris Club official creditors must take their share of debt relief measures, notably enhanced HIPC Initiative.

90. Action by LDCs and the development partners will be along the following lines:

(i) Action by LDCs

(a) Debt forgiveness works best in the context of a conducive national policy framework that effectively contributes to poverty eradication and promotes faster economic growth, including **fiscal reforms, establishment of a medium-term budgetary framework, sectoral adjustments, (Switzerland)** faster export growth and increasing investment, productive capacities,

employment and productivity, savings and international competitiveness; **(Note: subparagraph moved to end of para. 89. (US)) (Note: delete subparagraph (a) (G77))**

(b) ~~Efforts should be made by LDCs to use~~ **(Norway)** resources released by debt relief as well as other sources of development finance **must be used (Norway)** in a manner that fully takes into account the interests of the poor and also promotes long-term economic growth and beneficial integration of LDCs into the global economy. LDCs need to sustain and intensify their efforts to improve debt management capabilities and to enter into new borrowing commitments with due prudence;

Alt(b) Poverty Reduction Strategy Papers (PRSPs) should be expeditiously drafted and implemented with full participation of civil society and donors. These poverty strategies should guide the use of all development assistance, as well as resources freed up by debt relief. (US)

(c) ~~Since debt relief and poverty eradication are increasingly linked, it is necessary to ensure genuine ownership by LDCs on both fronts. This can be facilitated by joint actions by LDCs and their partners~~ **Pending full cancellation of debt, as an immediate measure LDCs should take joint action with their development partners (G77)** for a transparent arrangement involving the Government and other domestic stakeholders of the debtor countries and their creditors for an objective and comprehensive assessment of ~~the debt problem of LDCs~~ **their debt problem (G77)**, including debt sustainability ~~and levels of debt relief needed~~ **(G77)**, as well as of the effectiveness of LDCs' commitment and actions towards poverty eradication. **This can be undertaken on the basis of a PRSP having a strong emphasis on social programmes which will use the financial resources made available by the HIPC initiative. (Switzerland)** ~~Such an arrangement should be supported by an independent review of external debt and poverty eradication issues~~. **(Norway)**

Alt(c) All creditors should be regularly consulted on changes in the debt situation; (US)

(d) **Efforts to improve debt management capabilities should be sustained and intensified; (US)**

(e) **Due prudence should be exercised when entering into new borrowing commitments. (US)**

(ii) Action by development partners

(a) Expeditious progress ~~will~~ **should (Japan)** be made towards full cancellation of all outstanding **[official bilateral (Japan)] [bilateral (Canada)]** debt owed by **highly indebted (Canada) LDCs; (Note: delete (US and Rep. of Korea))**

Alt(a) Expeditious progress should be made towards full cancellation of all official outstanding debt owed by LDCs to all developed countries creditors, multilateral financial institutions and others in a position to do so; (G77)

Alt(a) More vigorous efforts should be made for faster and deeper debt relief for HIPCs LDCs; (Norway)

(b) As for LDCs that are also HIPCs, writing off ~~all~~ **(Japan)** multilateral claims **in the context of the HIPC Initiative (Canada)** should be a high priority. ~~Similar measures should be adopted for those LDCs that are not HIPCs.~~**(Japan and Canada)** Sufficient resources should be mobilized for this purpose. **(Note: delete (US))**

Alt(b) All multilateral debts of LDCs which are also HIPCs should be written off as a matter of high priority and similar measures adopted for those LDCs that are not HIPCs. Sufficient new and additional resources should be mobilized for this purpose; (G77)

Alt(b) Writing off multilateral debt for LDCs that are HIPCs should be a high priority. Sufficient resources should be mobilized for this purpose; (Norway)

(c) ~~There should be~~ **(G77 and Canada) Bilateral creditors should put in place (Canada)** an immediate moratorium on debt service payments by **reforming, eligible, highly indebted (Canada)** LDCs pending full cancellation of **bilateral (Canada)** debt; **(Note: delete (Republic of Korea))**

Alt(c) Implementation of the enhanced HIPC Initiative should be accelerated; (Japan)

Alt(c) The enhanced HIPC initiative should be implemented effectively; (US)

Alt(c) A moratorium on debt service payments by LDCs that are HIPCs pending full cancellation of debt should be considered; (Norway)

(d) There should be continuous monitoring and review of LDCs' debt sustainability on the basis of objective criteria and independent analysis; **(Note: text moved to paragraph 89 (G77))**

Alt(d) Review and continuous monitoring of LDCs' debt sustainability should be considered in the appropriate fora on the basis of objective criteria and analysis; (US and Norway)

(e) Development partners should actively assist LDCs to gain ownership in the area of debt relief and poverty eradication along the lines set out at para. 90(i)(b) above;

Alt(e) Support should be given to LDC efforts to draft and carry out fully participatory poverty eradication strategies, based on consultations with civil society and donors. (US)

(f) **Strengthen the implementation of (G77)** Mechanisms for debt relief, such as debt swaps, ~~remain relevant and should be encouraged, particularly for creditors that are developing countries and countries with economies in transition~~. **(G77) Such debt flows should reflect priorities of national poverty reduction strategies; (Norway)**

(g) ~~Regarding commercial debt of LDCs,~~ **Establish (G77)** orderly and equitable work-out procedures ~~should be established~~ **for commercial debt (G77),** with explicit responsibilities of creditors and debtors and clearly defined roles for the public and private sectors. **(para. 90 to be deleted (EU))**

D. FDI and other private external (US) flows

91. ~~The building of domestic productive capacity – and, more broadly, a vibrant domestic enterprise sector – is a primary objective of both LDCs and their development partners.~~ **(G77)** Long-term foreign private capital flows have a complementary and catalytic role to play ~~in this regard~~, **(G77)** as they ~~can involve an array of~~ **lead to (G77)** tangible and intangible benefits, including export growth, technology and skills transfer, and employment ~~creation~~ **generation (G77)**. [Attracting and benefiting from FDI is therefore ~~important~~ **essential.(US)**] **[Creating a conducive environment for FDI is therefore very important. (G77)]**

92. FDI and other private **external (US)** flows should be seen by LDCs as a complement to domestic investment, ~~and efforts should be made to integrate these flows into a national development strategy that seeks to promote domestic investment, savings and exports, and the development of domestic productive capacities and international competitiveness~~ **(G77)**.

93. Promoting a conducive macro-economic environment and good governance, strengthening structural aspects of the economy and improved institutional and human capacities, which are considered in other parts of the Programme of Action, are ~~relevant~~ **important (US)** also in the context of ~~enhancing~~ **attracting (US)** FDI and other private **external (US)** flows. Development partners would need to provide a range of support measures, complementing LDCs' efforts to attract FDI. **(Note: paragraph to be deleted (G77))**

94. **Foreign direct investment (FDI) can play an important role in poverty reduction strategies as it is an important source not only of capital but also of managerial skills, technologies and know-how and could represent a strategic key to help the strengthening and growth of local industrial clusters. FDI into developing countries has been growing over the last years but LDCs received less than 1% of all developing countries' inflows. The main problems to address are the instability of the macro-economic environment, the structural weakness of the institutional and legal framework, the poorly functioning markets, especially capital markets, and the high costs of communication and transportation. Poor policy, arbitrariness in dealing with companies and corruption are the main reasons for prospective investors opting to stay out. There is therefore a need for additional efforts by LDCs to adopt measures aimed at creating or enhancing a stable economic, legal and institutional framework in order to attract foreign investment and to promote sustainable development through investment. There is also the need for increased and better-focused development aid aiming at supporting LDCs efforts in that direction. In some cases, the key challenge is to inform prospective investors that the required reforms have been made, and that real investment opportunities exist. (EU)**

95. Action by LDCs and the development partners will be along the following lines:

(i) Action by LDCs

(a) Strengthening the enabling environment for private sector development and **domestic and (Norway)** foreign ~~economic participation~~ **investment flows (G77)**. Of particular importance is [removing obstacles to the creation of new **foreign-owned (US)** businesses, and developing a ~~state of the art~~ **strong (US)** regulatory and legal framework for FDI, along with the necessary institutional infrastructure and capacity to implement and maintain it;] **[a supportive regulatory and legal framework for FDI; (G77)]**

(b) Directing policy efforts in ways which increase the returns on private capital investment, **without leading to distortions with respect to the overall ongoing governance, social and economic gradual reforms (Switzerland)** and reduce risks that deter private capital inflows;

Alt(b) Designing and implementing policies that reduce risks which deter foreign investment, including through the negotiation of bilateral and regional investment treaties and accession to international conventions providing investment guarantees and insurance, as well as dispute settlement; (G77)

(c) Attracting foreign capital, especially FDI, that helps build supply capacity; **(Note: delete (G77))**

(d) Encouraging linkages between domestic businesses and foreign affiliates with a view towards helping to **appropriately (US)** disseminate the latter's tangible

and intangible assets, including technology, to domestic enterprises; **(Note: Move down as (ii) (a bis) (G77))**

(e) Reducing the risks for foreign investors through the negotiation of bilateral and regional investment treaties and accession to international conventions providing investment guarantees and insurance, as well as dispute settlement; **(Note: Moved to alternative (b) (G77))**

(f) ~~Entering into treaties~~ **Taking appropriate action (G77)** for the avoidance of double taxation;

(g) ~~Making efforts to improve~~ **Improving (G77)** the timely availability, as well as reliability, of investment information and statistics, including those related to investment opportunities and the regulatory framework.

(h) **Promoting South-South cooperation in taking the above actions. (Japan)**

(i) **Encouraging participation of foreign-based companies in the process of privatizing state-owned enterprises. (US)**

(ii) Action by development partners

(a) Supporting LDCs in devising and implementing appropriate FDI strategies and policy frameworks and institutions through ~~the~~ **their (G77)** development of a comprehensive approach to FDI and actions aimed at improving the regulatory framework and the availability of reliable investment information;

(b) **Encouraging foreign businesses and to disseminate their tangible and intangible assets, including technology, to affiliates in LDCs; (G77)**

(c) Assisting **LDCs (G77)** in human resource development so as to enable ~~LDCs~~ **them (G77)** to attract ~~effectively~~ **(G77)** and benefit from FDI and to participate effectively in negotiations on international agreements in this regard;

(d) Supporting **LDCs' (G77)** efforts to attract FDI flows to infrastructure development projects, ~~in particular~~ **including (G77)** small projects, ~~taking into account the availability of local resources and existing international support mechanisms, as well as flows that entail a high degree of technology transfer;~~**(US) (Note: subparagraph to be deleted (Switzerland))**

(e) ~~Emulating~~ **Identifying and implementing (G77)** best practices ~~in home country measures to encourage and facilitate~~ **among developed countries for encouraging and facilitating (G77)** FDI to LDCs;

(f) Supporting initiatives in the development of **private (US)** venture capital funds for LDCs.

(g) **Encouraging and assisting LDCs to promote South-South cooperation. (Japan)**

(h) **Assisting LDCs in establishing foreign investment advisory bodies in their own countries, as a one-stop shop which would be responsible for providing information, service and administrative support to potential foreign investors; (G77)**

(i) **Creating a Global Investment Advisory Body with the support of multilateral agencies and other stakeholders for giving advisory service for investment to the LDCs; (G77)**

(j) **Establishing FDI flows to LDCs by underwriting perceived political and commercial risks in these countries; (G77)**

E. Global and regional public goods

(Note: Section should include action to be taken and elements on global goods in the FFD process. It could be included in Commitment 7 or 5. (EU))

96. Development partners should ~~also~~ **(G77)** give attention to ~~the supply of global and regional public goods that can benefit~~ **addressing issues that are global and regional in nature that are of concern to (G77)** LDCs. This is necessary as various environmental, health and technological issues are global or transnational in scope and there is under-provision of public goods **and services (G77)** in these areas. Particularly important for LDCs are agricultural research, including research on food staples, improvements in forecasting of natural disasters, **control of communicable diseases such as HIV/AIDS, malaria and tuberculosis, (G77)** and regional and subregional transport systems, including physical infrastructure and transport services, ~~for land-locked and small island LDCs~~ **for small island and landlocked LDCs taking into account the concerns of their transit neighbouring countries in their provision of transit transport services. The development partners should take concrete steps to address issues involving LDCs which are of international and regional concern, through *inter alia*, using public resources to leverage private funding, involving foundations, private donors and NGOs and other innovative sources. (G77) (Note: delete paragraph (Japan and US))**

III. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP AND MONITORING AND REVIEW*

A. Main orientations for implementation and follow-up

97. Success in attaining the objectives of the Programme of Action will depend critically on the effective functioning of the arrangements for its implementation, follow-up, monitoring and review at the national, regional and global levels. The main thrusts of these three tracks of follow-up will be:

(a) At the national level, each LDC and its partners will promote implementation of the actions contained in the programme of Action by translating them into specific measures within the frame work of its national programme of action. In doing so, special attention will be given to the particular circumstances and priorities of each LDC, and the need to appropriately build upon existing mechanisms such as the Poverty Reduction Strategy Papers (PRSP), the Comprehensive Development Framework (CDF), Common Country Assessments (CCA) and the United Nations Development Assistance Framework (UNDAF);

(b) Regional follow-up should focus on cooperation between LDCs and other countries at the regional and subregional level;

(c) The global-level follow-up should be primarily concerned with assessing the economic and social performance of LDCs, monitoring the implementation of commitments by LDCs and their partners, reviewing the functioning of implementation and follow-up mechanisms at country, regional and sectoral levels, and policy developments at the global level with implications for LDCs.

98. Follow-up, monitoring and review of the Programme of Action along the above tracks should involve all relevant stakeholders. They should be conducted in a coherent and mutually supportive manner. Consequently, well-functioning linkages should be built among different levels of follow-up. Through these processes, the actions identified in the Programme of Action will also be regularly adapted to new and evolving developments.

99. The goals and targets set out in the Programme of Action will be used to review and evaluate performance of LDCs and their development partners in implementing the various commitments. Besides follow-up mechanisms identified below, such performance reviews could be facilitated by independent peer reviews of the application of commitments by individual LDCs and their partners as part of the follow-up at national, sectoral, regional and global levels.

100. The follow-up and monitoring of the Programme of Action should contribute to coordinated follow-up of the implementation of recommendations and commitments of

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* This section reproduces the original text of chapter III as it appeared in document A/CONF.191/PC/L.4. Chapter III was not considered by the Intergovernmental Preparatory Committee.

global summits and conferences, including their five-year reviews, as well as of other major agreements and initiatives on development as they relate to LDCs.

B. Role of the United Nations system

101. As long-time partners in the development process of LDCs, the organizations of the United Nations system, including the Bretton Woods institutions, have a special role to play in the implementation of the Programme of Action. The experience, expertise and resources of the system, including at the field level, should be appropriately utilized for this purpose. The ongoing efforts at the country level by the UN system organizations, in particular within the framework of the Resident Coordinator system, to help LDCs translate goals and targets of major global conferences and summits into concrete actions in the light of national priorities, provide a unique process to promote an effective follow-up to the commitments of the Programme of Action. This opportunity should be fully seized.

102. The organizations of the UN system as well as other relevant multilateral organizations are invited to continue to accord high priority to LDCs and to integrate the provisions of the Programme of Action appropriately in their work programmes. They are encouraged to undertake multi-year programming of actions in favour of LDCs. Their executive bodies are requested to organize sectoral appraisals of the Programme of Action at regular intervals in their respective areas of competence and make available the outcomes of such appraisals to the annual global reviews. These organizations are also invited to participate fully in reviews of the Programme of Action at the national, regional and global levels.

103. The Secretary-General of the United Nations is requested to ensure at the secretariat level the full mobilization and coordination of all parts of the United Nations system to facilitate coordinated implementation and follow-up of the Programme of Action. The ACC is invited to consider setting up an appropriate inter-agency mechanism for UN system-wide follow-up of the Programme of Action. The system of focal points in each United Nations organization, which were set up in the context of preparations for the Conference, may be kept active in the context of review and follow-up of the implementation of the Programme of Action during the decade.

C. National, regional and global level arrangements

National level

(i) Arrangements by LDCs

104. The LDC Governments have the primary responsibility for the implementation of the Programme of Action at the national level. As mentioned above, they should undertake this task within the framework of their respective national programmes of action, with the full involvement of civil society and the private sector, and in cooperation with bilateral and multilateral development partners.

105. In some LDCs, national arrangements are already in place for broad-based and inclusive dialogue on development issues and policies. These forums are critical to ensuring genuine consensus and national ownership of national programmes of action and need to be fully supported. Other LDCs should follow this example by developing such national forums. National Preparatory Committees, set up for the preparations for the Conference with the participation of representatives from the public and private sectors and civil society, could be built up into such forums. The national forums, working in close collaboration with development partners, could provide a platform for regular and systematic follow-up and monitoring of the implementation of commitments by individual LDCs and their development partners at the national level, as well as providing inputs to follow-up at the global, regional and sectoral levels.

106. Success of the national forums will depend on effective human and technical capacity to carry out the necessary analytical and advocacy work relating to policy development and co-ordination. The UN system agencies, particularly UNDP and the World Bank, bilateral and multilateral donors and other development partners, are invited to provide necessary collaboration and support to the national development forums.

(ii) Country review process

107. The existing country review mechanisms such as the World Bank's consultative group and UNDP's round-table meetings should continue as principal coordination forums for development cooperation, as well as for mobilizing external development resources for LDCs, taking into account national development frameworks. These mechanisms should be strengthened and organized on a more systematic basis and should cover all LDCs. They should be broadened so as to encompass all donors.

108. The country review process should also provide support to strengthen linkages between the macroeconomic framework and sectoral strategies. Sectoral policies and strategies should be used more widely as a tool for aid coordination. There should be strong complementarities between the country review process and the national forums.

Regional level

109. The relevant United Nations regional economic commissions should undertake, in close coordination with the global-level and country-level follow-up processes and in cooperation with regional development banks and regional intergovernmental organizations, periodic regional monitoring and review of progress in the implementation of the Programme of Action. They should offer an opportunity for LDCs of their respective regions, together with neighbouring developing countries as well as other countries in the same region, to exchange experiences and seek solutions to common problems at the national, regional and global levels.

110. Regional-level follow-up should also promote regional policy responses to take better account of the needs of LDCs. It should assist LDCs in meeting demands of global competition by appropriately adapting existing regional and subregional frameworks and

linkages in the area of trade, finance and investment, while at the same time improving the quality of their international economic integration.

111. The regional commissions should continue to ensure that the needs and problems of the LDCs are addressed as part of their ongoing work, and in this manner should contribute to the follow-up process at the national and global levels. Attention should be given to the need for strengthening capacities of the regional commissions in undertaking regional follow-up activities.

112. Regional development banks, regional organizations of developing countries and regional intergovernmental organizations are invited to give full attention in their economic analysis and monitoring to the problems, needs and achievements of LDCs and to provide appropriate inputs to the global-level follow-up and review process.

Global level

113. Arrangements for monitoring, follow-up and review at the global level are an integral part of the overall process, being all complementary and supportive to the above-mentioned arrangements at the country and regional levels.

114. As in the case of the past Programmes of Action, the General Assembly should continue to monitor the implementation of the new Programme of Action under a specific item on its agenda. The commitments undertaken in the Programme of Action should be appropriately reflected in the review of major global summits and conferences, as well as in forthcoming conferences and events and in their final outcomes.

115. During each regular session of the Economic and Social Council, beginning with its 2002 session, a joint meeting of the Economic and Social Council and the Trade and Development Board should review progress in the implementation of the Programme of Action. The annual *Least Developed Countries Report* will continue to provide analytical inputs to the annual review of the Programme of Action.

116. Each annual review will consider: (a) progress in the socioeconomic situations in LDCs and in the implementation of commitments by the LDCs and the development partners; and (b) a thematic cluster of issues from among those contained in the Programme of Action. An important function of the annual review will be to complement the Programme of Action with new agreed policies and measures in light of changing domestic and external circumstances. It will also serve as a forum for monitoring contributions by the UN system.

117. A high-level intergovernmental meeting will be convened in 2006 to conduct a comprehensive mid-term review of the Programme of Action and to consider new measures as necessary. Towards the end of the decade, the General Assembly may consider holding a fourth UN Conference on LDCs in order to make a comprehensive appraisal of the implementation of this Programme and to decide on subsequent action.

118. There is a critical need for an effective mechanism to support intergovernmental review and follow-up of the implementation of the Programme of Action at the global level by building on existing institutional arrangements. To that end, the Office of the Special Coordinator for Least Developed, Land-locked and Small Island Developing Countries will need to be substantially strengthened through, among other measures, more judicious use of existing regular budget resources of the UN and the availability of staff and other resources from all relevant parts of the United Nations system and other concerned multilateral organizations. The Secretary-General of the United Nations will make concrete recommendations in this regard to the General Assembly. Development partners are urged to make generous contributions to the Trust Fund for LDCs to support activities relating to follow-up of the Programme of Action.